

Branch County, Michigan
FINANCIAL STATEMENTS
December 31, 2003

Branch County, Michigan

December 31, 2003

BOARD OF COMMISSIONERS

| | |
|------------------|------------------|
| Terry MacDonald | Chairperson |
| Ramon Mitoska | Vice-Chairperson |
| Ted Gordon | Commissioner |
| James Schafer | Commissioner |
| Norman Heinemann | Commissioner |
| Imorean Rubley | Commissioner |
| Rodney Olney | Commissioner |
| William Chinery | Commissioner |

ADMINISTRATION AND OTHER ELECTED OFFICIALS

| | |
|------------------------|----------------------|
| Duke Anderson | Administrator |
| Sandra Thatcher | Treasurer |
| Judy Elliott | Clerk |
| Linda Morrison-Mathews | Register of Deeds |
| Kenneth Strong | Drain Commissioner |
| Kirk Kashian | Prosecuting Attorney |
| Warren Canon | Sheriff |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Branch County
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Branch County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Branch County Road Commission or the Community Health Center which represent 71% and 97%, respectively of the total assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission and the Community Health Center is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2004 on our consideration of Branch County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 70 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 24, 2004

County of Branch
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Branch County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2003. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2003 represents the first year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

Certain limited financial information is presented with respect to the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, and Community Health Center. The reader should refer to the Road Commission's, Community Health Agency's and Community Health Center's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$25,450,136 (excluding component units).
- Governmental activities net assets were \$10,364,296.
- Business-type activity net assets were \$15,085,840.
- Component Unit net assets were \$84,368,543.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$2,616,666 with all but \$2,218,720 million being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$5,078 less in revenues and other financing sources than anticipated for the fiscal year. However, General Fund operations also expended \$68,439 less than appropriated.
- Overall, the General Fund balance increased by \$176,914 to \$1,180,809 with \$857,288 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued no new debt for the fiscal year.

County of Branch

Management's Discussion and Analysis

- The total long-term debt for the primary government was \$12,557,021 with a net reduction of \$753,306 from the prior year.
- The Drainage Districts issued \$56,750 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$5,474,250 with a net reduction of \$302,950 from the prior year.
- The long-term debt for the Road Commission was \$349,453 and \$200,000 for the Community Health Center.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government were \$1,315,600 and included such purchases as the renovation to the Courthouse's first floor and basement and mechanical filing systems.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2003. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

County of Branch

Management's Discussion and Analysis

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Delinquent Tax Revolving Fund, County Medical Facility Fund, and Jail Inmate Commissary are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, Drainage Districts, Board of Public Works, and the Community Health Center.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 17 and 20 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

County of Branch Management's Discussion and Analysis

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Revolving Drain Equipment Fund) as well as enterprise funds such as the Jail Commissary.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Branch County include the General Fund, the Delinquent Tax Revolving Fund, the Emergency Services Fund, and the Medical Care Facility Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

County of Branch

Management's Discussion and Analysis

- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Revolving Drain Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 31 and 32. These funds, which include trust and agency funds and the Pension Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 36 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Branch County's combined net assets were \$25,450,136 at the end of this fiscal year's operations. The net assets of the governmental activities were \$(10,364,296); the business type activities were \$15,085,840.

County of Branch
Management's Discussion and Analysis

Net Assets as of December 31, 2003

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total Primary Government</u> |
|---|---|--|--|
| Current and Other Assets | \$ 10,368,126 | \$ 8,141,626 | \$ 18,509,752 |
| Non Current Assets | <u>20,064,830</u> | <u>7,773,418</u> | <u>27,838,248</u> |
| Total Assets | <u>\$ 30,432,956</u> | <u>\$15,915,044</u> | <u>\$ 46,348,000</u> |
| Current Liabilities | \$ 1,707,766 | \$ 452,205 | \$ 2,159,971 |
| Other Liabilities | <u>18,360,894</u> | <u>376,999</u> | <u>18,737,893</u> |
| Total Liabilities | <u>\$ 20,068,660</u> | <u>\$ 829,204</u> | <u>\$ 20,897,864</u> |
| Net Assets | | | |
| Invested in Capital Assets (Net of related debt) | \$ 8,573,523 | \$ 4,762,336 | \$ 13,335,859 |
| Restricted | 487,674 | 36,564 | 524,238 |
| Unrestricted | <u>1,303,099</u> | <u>10,286,940</u> | <u>11,590,039</u> |
| Total Net Assets | <u>\$ 10,364,296</u> | <u>\$15,085,840</u> | <u>\$ 25,450,136</u> |

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

County of Branch
Management's Discussion and Analysis

Changes in Net Assets for the Fiscal Year Ending December 31, 2003

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|--|---|--|----------------------|
| Revenues | | | |
| Charges for Services | \$ 4,877,492 | \$ 7,160,179 | \$ 12,037,671 |
| Grants and Contributions | 2,644,138 | 10,019,286 | 12,663,424 |
| General Revenues | | | |
| Property Taxes | 6,977,403 | - | 6,977,403 |
| State Shared Revenue | 766,783 | - | 766,783 |
| Investment Earnings | 141,674 | 170,785 | 312,459 |
| Miscellaneous | 341,821 | 5,240 | 347,061 |
| Total Revenues | 15,749,311 | 17,355,490 | 33,104,801 |
| Expenses | | | |
| General Government | 6,272,569 | - | 6,272,569 |
| Public Safety | 4,069,364 | - | 4,069,364 |
| Public Works | 242,515 | - | 242,515 |
| Health and Welfare | 3,543,781 | - | 3,543,781 |
| Community and Econ. Dev. | 16,840 | - | 16,840 |
| Recreation and Cultural | 177,458 | - | 177,458 |
| Other | 933,742 | 17,331,248 | 18,264,990 |
| Total Expenses | 15,256,269 | 17,331,248 | 32,587,517 |
| Excess (deficiency) | 493,042 | 24,242 | 517,284 |
| Transfers | 193,158 | (518,737) | (325,579) |
| Increase (decrease) in Net Assets | 686,200 | (494,495) | 191,705 |
| Net Assets - Beginning | 9,678,096 | 15,580,335 | 25,258,431 |
| Net Assets - Ending | \$ 10,364,296 | \$15,085,840 | \$ 25,450,136 |

Governmental Activities:

The result of 2003 governmental activity was an increase of \$686,200 in net assets to \$10,364,296. Of the total governmental activities' net assets, \$8,573,523 is invested in capital assets less related debt, \$487,674 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$1,303,099 is listed as unrestricted, having no legal commitment.

County of Branch

Management's Discussion and Analysis

Revenues:

The three largest revenue categories were property taxes at 48%, charges for services at 21%, and grants and contributions at 17%. The County levied four property tax millages for the 2002 tax levy which is recognized as revenue in 2003, one being for general government operations at 4.8445 mills, which is not assigned to any particular activity, one for 911 Operating at .7500 mills, one for commission on aging at .7201 mills and one for Jail Renovation at .4943 mills. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Grants and contributions are the third largest source of governmental activity revenue.

Expenses:

General government is the largest governmental activity, expending \$6,272,569 of the \$15,256,269 governmental activities total and includes offices such as Circuit Court, District Court, Probate/Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest area, expending \$4,069,364. Public Safety includes the Sheriff's Department administration, Road Patrol and Jail operations.

Business-type Activities:

Net assets in business-type activities decreased by \$494,495 during 2003. The vast majority of this increase was a result of an increase in the Tax Payment Fund.

\$10.28 million of net assets out of \$15.08 million in the business-type activities is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2003, its governmental funds reported *combined* fund balances of \$2,616,666 a net decrease of \$343,692, including prior period adjustments. The net changes are summarized in the following chart:

| | General Fund | Emergency Services | Other Non Major Governmental Funds |
|--------------------------------------|-------------------------|-------------------------------|---|
| Fund Balance 12/31/02 | \$1,003,895 | \$ 568,980 | \$ 1,387,483 |
| Fund Balance 12/31/03 | \$1,180,809 | \$ 675,557 | \$ 760,300 |
| Net Change | \$ 176,914 | \$ 106,577 | \$ (627,183) |

County of Branch

Management's Discussion and Analysis

The General Fund balance increased by \$176,914. This is mainly due to an increase in District Court statute cost from \$9 to \$40 and a police contract with Quincy Village for the entire fiscal year. The Emergency Services Fund increased by \$106,577 mainly due to greater than anticipated intergovernmental revenues and less than anticipated capital outlay expenses. The combined other non-major funds decreased by \$627,183 due mainly to the utilization of \$1,065,257 in capital outlay expenses related to the Courthouse Renovation Project.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2003, the General Fund reported a fund balance of almost \$1,180,809. This amount is an increase of \$176,914 from the fund balance of \$1,016,813 reported as of December 31, 2002. Of the total fund balance, \$487,674 is reserved, designated or earmarked for specific purposes.

The General Fund 2003 revenues exceeded 2003 expenditures by \$176,914 however, the General Fund also supports the operations of other funds including the Child Care Funds, Friend of the Court, Building Authority Funds, and the Airport Fund.

General Fund Budgetary Highlights:

Branch County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$11,055,108, \$5,078 below the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, state revenue sharing-per capita payments were \$18,718 below budget due to the State of Michigan reducing payments in order to mitigate a portion of their budget shortfalls. Fortunately, the County received \$14,554 more revenue than anticipated in the Traffic and Safety Program due to the increased grant award.

The County's expenditure budget was increased by \$97,337 (less than 1% above the original budget) during 2003. Amendments that increased costs to the general fund within the year included the receiving of several old bills for autopsies performed, increased cost for equipment and maintenance at the Sheriff's department, and numerous one time contractual costs.

Actual County expenditures for 2003 were \$68,439 below budget. This is due to several reasons including:

- \$30,000 less than planned expenditures for personnel in the Sheriff's Department.
- \$20,000 less than planned expenditures for personnel in the Jail Operations Department.

County of Branch

Management's Discussion and Analysis

Emergency Services Fund:

Emergency Services Fund includes a 24-hour a day; 7 days a week dispatch facility as well as the County's emergency management response. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in Branch County. The program is primarily funded by a millage. As of December 31, 2003, the Emergency Services Fund reported a fund balance of \$675,557, an increase of \$106,577 from the prior year. Of the total fund balance, all \$675,557 is undesignated/unreserved.

Significant Changes - Other Major Funds:

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

CAPITAL ASSETS ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2003, the County had invested \$24,824,180, and \$15,388,697 for the component units (excluding the Road Commission and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$12,769,039 for the primary government. Depreciation charges for the fiscal year totaled \$1,535,495 for the primary government and \$489,081 for the component units.

| | Governmental Activities | Business- type Activities | Component Unit Drains | Component Unit Board of Public Works | Total |
|----------------------------------|------------------------------------|--|--------------------------------------|---|-----------------------------|
| Land and improvements | \$ 1,368,329 | \$ 266,291 | \$ - | \$ 1,096,843 | \$ 2,731,463 |
| Buildings, net | 13,671,082 | 4,040,947 | - | 3,153,541 | 20,865,570 |
| Equipment, net | 4,458,471 | 455,098 | - | 275,539 | 5,189,108 |
| Vehicles, net | 563,962 | - | - | 665 | 564,627 |
| Drains, net | - | - | 1,807,495 | - | 1,807,495 |
| Sewer, net | - | - | - | 9,054,614 | 9,054,614 |
| Capital assets, net | <u>\$20,061,844</u> | <u>\$ 4,762,336</u> | <u>\$ 1,807,495</u> | <u>\$ 13,581,202</u> | <u>\$ 40,212,877</u> |

County of Branch
Management's Discussion and Analysis

BRANCH COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been declining and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are at historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Liability insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2004. A usage of \$220,000 of the County's limited fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Branch County Treasurer's Office at (517) 279-4321 or Branch County Administrator's Office at (517) 279-4301.

BASIC FINANCIAL STATEMENTS

Branch County, Michigan

STATEMENT OF NET ASSETS

December 31, 2003

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|---------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ (595,927) | \$ 1,113,361 | \$ 517,434 | \$ 5,818,895 |
| Investments | 3,027,618 | 5,282,805 | 8,310,423 | 4,061,094 |
| Receivables | 7,032,191 | 1,696,610 | 8,728,801 | 15,663,099 |
| Internal balances | 153,143 | - | 153,143 | (153,143) |
| Inventories | 8,615 | - | 8,615 | 486,197 |
| Prepaid expenses | - | 48,850 | 48,850 | - |
| Other current assets | - | - | -0- | 2,193,746 |
| Due from other governmental units - | | | | |
| Local | 1,166 | - | 1,166 | - |
| Federal/State | 741,320 | - | 741,320 | - |
| Total current assets | 10,368,126 | 8,141,626 | 18,509,752 | 28,069,888 |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | - | 1,887,399 | 1,887,399 | - |
| Restricted investments | - | 1,123,683 | 1,123,683 | 1,903,057 |
| Lease receivable | - | - | -0- | 4,990,000 |
| Advance to fiduciary funds | 2,986 | - | 2,986 | - |
| Capital assets, net | 20,061,844 | 4,762,336 | 24,824,180 | 64,679,023 |
| Other noncurrent assets | - | - | -0- | 687,721 |
| Total noncurrent assets | 20,064,830 | 7,773,418 | 27,838,248 | 72,259,801 |
| TOTAL ASSETS | 30,432,956 | 15,915,044 | 46,348,000 | 100,329,689 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 270,892 | 90,840 | 361,732 | 2,014,524 |
| Accrued payroll | 282,001 | 220,557 | 502,558 | 82,045 |
| Other accrued liabilities | 214,425 | 53,678 | 268,103 | 3,270,555 |
| Due to other governmental units | 77,142 | 27,683 | 104,825 | - |
| Payable from restricted assets- | | | | |
| due to patients | - | 17,592 | 17,592 | - |
| Short-term debt | - | - | -0- | 56,250 |
| Current portion of compensated absences | 64,985 | 41,855 | 106,840 | 185,317 |
| Current portion of long-term debt | 798,321 | - | 798,321 | 677,035 |
| Total current liabilities | 1,707,766 | 452,205 | 2,159,971 | 6,285,726 |
| Noncurrent liabilities | | | | |
| Deferred revenue | 7,000,611 | - | 7,000,611 | 148,842 |
| Advance from other governmental units | 85,422 | - | 85,422 | 4,943 |
| Compensated absences | 584,861 | 376,999 | 961,860 | 336,184 |
| Noncurrent portion of long-term debt | 10,690,000 | - | 10,690,000 | 9,185,451 |
| Total noncurrent liabilities | 18,360,894 | 376,999 | 18,737,893 | 9,675,420 |
| TOTAL LIABILITIES | 20,068,660 | 829,204 | 20,897,864 | 15,961,146 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 8,573,523 | 4,762,336 | 13,335,859 | 54,760,287 |
| Restricted for: | | | | |
| Public safety | 123,366 | - | 123,366 | - |
| Other purposes | 364,308 | 36,564 | 400,872 | 1,900,160 |
| Debt service | - | - | -0- | 744,591 |
| Unrestricted | 1,303,099 | 10,286,940 | 11,590,039 | 26,963,505 |
| TOTAL NET ASSETS | \$ 10,364,296 | \$ 15,085,840 | \$ 25,450,136 | \$ 84,368,543 |

See accompanying notes to financial statements.

Branch County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|---|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Changes in Net Assets | | |
| | | | | | Governmental Activities | Primary Government Business-type Activities | Component Units |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 6,272,569 | \$ 3,045,760 | \$ 1,384,745 | \$ - | \$ (1,842,044) | \$ - | \$ - |
| Public safety | 4,069,364 | 778,565 | 439,874 | - | (2,850,925) | - | - |
| Public works | 242,515 | - | - | - | (242,515) | - | - |
| Health and welfare | 3,543,781 | 540,844 | 819,519 | - | (2,183,418) | - | - |
| Community and economic development | 16,940 | - | - | - | (16,940) | - | - |
| Recreation and cultural | 177,458 | 277,817 | - | - | 100,359 | - | - |
| Other | 529,876 | - | - | - | (529,876) | - | - |
| Interest on long-term debt | 403,966 | 234,466 | - | - | (169,380) | - | - |
| Total governmental activities | 15,256,269 | 4,877,492 | 2,644,138 | -0- | (7,734,839) | -0- | -0- |
| Business-type activities: | | | | | | | |
| Delinquent tax revolving | 5,919 | 460,803 | - | - | - | 454,884 | - |
| Medical care facility | 17,241,046 | 6,620,382 | 10,019,286 | - | - | (601,378) | - |
| Jail commissary | 84,283 | 78,994 | - | - | - | (5,289) | - |
| Total business-type activities | 17,331,248 | 7,160,179 | 10,019,286 | -0- | -0- | (151,783) | -0- |
| Total primary government | \$ 32,587,517 | \$ 12,037,671 | \$ 12,663,424 | \$ -0- | (7,734,839) | (151,783) | -0- |
| Component units: | | | | | | | |
| Road Commission | 6,247,417 | 2,254,969 | 4,512,869 | 320,270 | - | - | 840,691 |
| Branch - Hillsdale - St. Joseph | | | | | | | |
| Community Health Agency | 6,232,333 | 828,744 | 4,338,129 | - | - | - | (1,067,460) |
| Drainage Districts | 173,338 | - | - | 352,917 | - | - | 179,579 |
| Board of Public Works | 1,120,474 | 532,883 | 15,000 | 244,323 | - | - | (328,268) |
| Community Health Center | 46,052,622 | 45,243,703 | 1,011,405 | - | - | - | 202,486 |
| Total component units | \$ 59,926,184 | \$ 48,958,299 | \$ 9,877,403 | \$ 917,510 | -0- | -0- | (172,972) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 6,977,403 | - | - |
| State shared revenue | | | | | 766,783 | - | - |
| Investment earnings | | | | | 141,674 | 170,785 | 179,070 |
| Miscellaneous | | | | | 341,821 | 5,240 | 787,174 |
| Transfers | | | | | 193,158 | (518,737) | 325,579 |
| Total general revenues and transfers | | | | | 8,420,839 | (342,712) | 1,291,823 |
| Change in net assets | | | | | 686,200 | (494,495) | 1,118,851 |
| Net assets, beginning of the year | | | | | 9,676,096 | 15,580,335 | 83,249,692 |
| Net assets, end of the year | | | | | \$ 10,364,296 | \$ 15,085,840 | \$ 84,368,543 |

See accompanying notes to financial statements.

Branch County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2003

| | General | Emergency Services | Other Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------|---|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$(2,172,704) | \$ 639,013 | \$ 911,118 | \$ (622,573) |
| Investments | 3,019,862 | - | 7,756 | 3,027,618 |
| Accounts receivable | 11,442 | 11,567 | 10,728 | 33,737 |
| Taxes receivable | 4,958,458 | 769,700 | 1,242,655 | 6,970,813 |
| Loans receivable | - | - | 27,641 | 27,641 |
| Inventories | - | - | 4,318 | 4,318 |
| Due from other funds | 33,677 | - | 162,759 | 196,436 |
| Due from component unit | 13,281 | - | - | 13,281 |
| Due from other governmental units - | | | | |
| Local | 1,166 | - | - | 1,166 |
| Federal/State | 375,669 | 86,325 | 279,326 | 741,320 |
| Advances to other funds | 160,000 | - | - | 160,000 |
| Advance to fiduciary funds | 2,986 | - | - | 2,986 |
| Advance to component units | 144,000 | - | - | 144,000 |
| TOTAL ASSETS | \$ 6,547,837 | \$1,506,605 | \$ 2,646,301 | \$10,700,743 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 109,641 | \$ 39,144 | \$ 122,107 | \$ 270,892 |
| Accrued payroll | 206,026 | 20,626 | 55,349 | 282,001 |
| Other accrued liabilities | 15,761 | 1,578 | 4,234 | 21,573 |
| Due to other funds | - | - | 196,436 | 196,436 |
| Due to other governmental units | 77,142 | - | - | 77,142 |
| Advances from other funds | - | - | 150,000 | 150,000 |
| Advance from State | - | - | 85,422 | 85,422 |
| Deferred revenue | 4,958,458 | 769,700 | 1,272,453 | 7,000,611 |
| TOTAL LIABILITIES | 5,367,028 | 831,048 | 1,886,001 | 8,084,077 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Inventories | - | - | 4,318 | 4,318 |
| Grant expenditures | - | - | 3,358 | 3,358 |
| Clock tower expenditures | - | - | 6,749 | 6,749 |
| Advances to component units | | | | |
| and other funds | 306,986 | - | - | 306,986 |
| Remuneration | 16,535 | - | - | 16,535 |
| Unreserved | | | | |
| Designated for debt service | - | - | 60,000 | 60,000 |
| Undesignated, reported in: | | | | |
| General fund | 857,288 | - | - | 857,288 |
| Special revenue funds | - | 675,557 | 542,641 | 1,218,198 |
| Capital projects funds | - | - | 143,234 | 143,234 |
| TOTAL FUND BALANCES | 1,180,809 | 675,557 | 760,300 | 2,616,666 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 6,547,837 | \$1,506,605 | \$ 2,646,301 | \$10,700,743 |

See accompanying notes to financial statements.

Branch County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2003

Total fund balances - governmental funds **\$ 2,616,666**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

| | | |
|-------------------------------|--------------------|--|
| The cost of capital assets is | \$ 28,412,730 | |
| Accumulated depreciation is | <u>(8,353,599)</u> | |

| | | |
|---------------------|--|------------|
| Capital assets, net | | 20,059,131 |
|---------------------|--|------------|

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

| | | |
|--|--|--------|
| Net assets of governmental activities accounted for in Internal Service Funds | | 19,518 |
|--|--|--------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

| | | |
|---------------------------|----------------|---------------------|
| Direct County obligations | \$ 11,488,321 | |
| Accrued interest payable | 192,852 | |
| Compensated absences | <u>649,846</u> | |
| | | <u>(12,331,019)</u> |

| | | |
|--|--|------------------------------------|
| Net assets of governmental activities | | <u><u>\$ 10,364,296</u></u> |
|--|--|------------------------------------|

Branch County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

| | General | Emergency Services |
|---|--------------|-----------------------|
| REVENUES | | |
| Taxes | \$ 4,891,248 | \$ 733,072 |
| Licenses and permits | 101,400 | - |
| Intergovernmental | 1,774,125 | 119,470 |
| Charges for services | 2,103,300 | 225,613 |
| Fines and forfeits | 150,067 | - |
| Interest and rents | 551,574 | 6,584 |
| Other | 555,457 | 2,555 |
| TOTAL REVENUES | 10,127,171 | 1,087,294 |
| EXPENDITURES | | |
| Current | | |
| General government | 4,922,099 | - |
| Public safety | 3,459,273 | - |
| Public works | 9,408 | - |
| Health and welfare | 384,431 | 770,625 |
| Community and economic development | 1,727 | - |
| Recreation and cultural | 2,000 | - |
| Other | 529,876 | - |
| Capital outlay | - | 250,343 |
| Debt service | - | - |
| TOTAL EXPENDITURES | 9,308,814 | 1,020,968 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 818,357 | 66,326 |
| OTHER FINANCING SOURCES (USES) | | |
| Operating transfers in | 927,937 | 39,675 |
| Operating transfers out | (1,243,801) | - |
| Operating transfers out - component unit | (325,579) | - |
| Residual equity transfer in | - | 576 |
| Residual equity transfer out | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (641,443) | 40,251 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 176,914 | 106,577 |
| Fund balances, beginning of year | 1,016,813 | 568,980 |
| Prior period adjustment | (12,918) | - |
| Fund balances, end of year | \$ 1,180,809 | \$ 675,557 |

See accompanying notes to financial statements.

| Other Non-major Governmental Funds | Total Governmental Funds |
|---|--------------------------------|
| \$ 1,239,634 | \$ 6,863,954 |
| 357,813 | 459,213 |
| 2,099,355 | 3,992,950 |
| 635,989 | 2,964,902 |
| 29,941 | 180,008 |
| 81,550 | 639,708 |
| 90,564 | 648,576 |
| 4,534,846 | 15,749,311 |
| 994,369 | 5,916,468 |
| 358,052 | 3,817,325 |
| - | 9,408 |
| 2,230,691 | 3,385,747 |
| 120 | 1,847 |
| 131,800 | 133,800 |
| - | 529,876 |
| 1,065,257 | 1,315,600 |
| 1,176,090 | 1,176,090 |
| 5,956,379 | 16,286,161 |
| (1,421,533) | (536,850) |
| 1,425,988 | 2,393,600 |
| (631,062) | (1,874,863) |
| - | (325,579) |
| - | 576 |
| (576) | (576) |
| 794,350 | 193,158 |
| (627,183) | (343,692) |
| 1,387,483 | 2,973,276 |
| - | (12,918) |
| \$ 760,300 | \$ 2,616,666 |

Branch County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Net change in fund balances - total governmental funds \$ (343,692)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|--------------------|---------|
| Capital outlay | \$ 1,315,600 | |
| Depreciation expense | <u>(1,145,886)</u> | |
| Excess of capital outlay over depreciation expense | | 169,714 |

Internal service funds are used by management to charge the costs of certain activities to individual funds.

| | |
|---|-------|
| Net revenue from governmental activities accounted for in Internal Service Funds | 1,202 |
|---|-------|

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

| | |
|---|---------|
| Bond principal and capital lease retirement | 772,224 |
|---|---------|

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--|---------------|---------------|
| Decrease in accrued interest payable | \$ 52,964 | |
| Decrease in accrued compensated absences | <u>33,788</u> | |
| | | <u>86,752</u> |

| | |
|--|--------------------------|
| Change in net assets of governmental activities | <u><u>\$ 686,200</u></u> |
|--|--------------------------|

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2003

| | Business-type | | |
|--|--------------------------------|-----------------------------|--|
| | Delinquent Tax Revolving | Medical Care Facility | Non-major Enterprise Fund (Jail Commissary) |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 301,535 | \$ 754,531 | \$ 57,295 |
| Investments | 5,236,236 | 46,569 | - |
| Accounts receivable | 698 | 406,510 | - |
| Delinquent taxes receivable | 1,289,402 | - | - |
| Inventories | - | - | - |
| Prepaid expenses | - | 48,850 | - |
| Total current assets | 6,827,871 | 1,256,460 | 57,295 |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | - | 1,887,399 | - |
| Restricted investments | - | 1,123,683 | - |
| Capital assets, net | - | 4,762,336 | - |
| Total noncurrent assets | -0- | 7,773,418 | -0- |
| TOTAL ASSETS | 6,827,871 | 9,029,878 | 57,295 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 1,831 | 85,477 | 3,532 |
| Accrued payroll | - | 220,557 | - |
| Other accrued liabilities | - | 53,678 | - |
| Due to other governmental units - State | 7,116 | 20,567 | - |
| Due to component units | - | - | - |
| Payable from restricted assets - due to patients | - | 17,592 | - |
| Current portion of compensated absences | - | 41,855 | - |
| Total current liabilities | 8,947 | 439,726 | 3,532 |
| Noncurrent liabilities | | | |
| Advance from other funds | - | - | - |
| Noncurrent portion of compensated absences | - | 376,999 | - |
| Total noncurrent liabilities | -0- | 376,999 | -0- |
| TOTAL LIABILITIES | 8,947 | 816,725 | 3,532 |

| Activities | Governmental Activities |
|--------------|--|
| | Internal Service Fund (Revolving Drain Equipment) |
| Total | |
| \$ 1,113,361 | \$ 26,646 |
| 5,282,805 | - |
| 407,208 | - |
| 1,289,402 | - |
| -0- | 4,297 |
| 48,850 | - |
| 8,141,626 | 30,943 |
| 1,887,399 | - |
| 1,123,683 | - |
| 4,762,336 | 2,713 |
| 7,773,418 | 2,713 |
| 15,915,044 | 33,656 |
| 90,840 | - |
| 220,557 | - |
| 53,678 | - |
| 27,683 | - |
| -0- | 4,138 |
| 17,592 | - |
| 41,855 | - |
| 452,205 | 4,138 |
| -0- | 10,000 |
| 376,999 | - |
| 376,999 | 10,000 |
| 829,204 | 14,138 |

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS - CONTINUED

December 31, 2003

| | Business-type | | |
|---|--------------------------------|-----------------------------|--|
| | Delinquent Tax Revolving | Medical Care Facility | Non-major Enterprise Fund (Jail Commissary) |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ - | \$ 4,762,336 | \$ - |
| Restricted for | | | |
| Memorials | - | 36,564 | - |
| Unrestricted | | | |
| Reserved for: | | | |
| Capital asset replacement | - | 2,907,312 | - |
| Funded fringes | - | 49,614 | - |
| Tax administration | 65,250 | - | - |
| Unreserved | 6,753,674 | 457,327 | 53,763 |
| TOTAL NET ASSETS | <u>\$ 6,818,924</u> | <u>\$ 8,213,153</u> | <u>\$ 53,763</u> |

| Activities | Governmental Activities |
|----------------------|--|
| Total | Internal Service Fund (Revolving Drain Equipment) |
| \$ 4,762,336 | \$ 2,713 |
| 36,564 | - |
| 2,907,312 | - |
| 49,614 | - |
| 65,250 | - |
| 7,264,764 | 16,805 |
| <u>\$ 15,085,840</u> | <u>\$ 19,518</u> |

Branch County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2003

| | Business-type | | |
|---|--------------------------------|-----------------------------|--|
| | Delinquent Tax Revolving | Medical Care Facility | Non-major Enterprise Fund (Jail Commissary) |
| OPERATING REVENUES | | | |
| Sales | \$ - | \$ 2,937 | \$ 78,994 |
| Interest on taxes | 305,673 | - | - |
| Charges for services | 133,744 | 6,564,493 | - |
| Other | 21,386 | 52,952 | - |
| TOTAL OPERATING REVENUES | 460,803 | 6,620,382 | 78,994 |
| OPERATING EXPENSES | | | |
| Personal services | - | 4,269,743 | - |
| Fringe benefits | - | 1,357,278 | - |
| Operating supplies | - | 475,598 | 77,496 |
| Contractual services | - | 284,694 | - |
| Depreciation | - | 389,609 | - |
| Other | 5,919 | 452,184 | 6,787 |
| TOTAL OPERATING EXPENSES | 5,919 | 7,229,106 | 84,283 |
| OPERATING INCOME (LOSS) | 454,884 | (608,724) | (5,289) |
| NONOPERATING REVENUES | | | |
| Interest revenue | 120,344 | 50,441 | - |
| Intergovernmental transfers in | - | 10,019,286 | - |
| Intergovernmental transfers out | - | (9,884,964) | - |
| Maintenance of effort | - | (125,572) | - |
| Memorial revenue | - | 5,240 | - |
| Memorial expense | - | (1,404) | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 120,344 | 63,027 | -0- |
| INCOME (LOSS) BEFORE TRANSFERS | 575,228 | (545,697) | (5,289) |
| TRANSFERS OUT | | | |
| Transfers out - primary government | (518,737) | - | - |
| CHANGE IN NET ASSETS | 56,491 | (545,697) | (5,289) |
| Net assets, beginning of year | 6,762,433 | 8,758,850 | 59,052 |
| Net assets, end of year | \$ 6,818,924 | \$ 8,213,153 | \$ 53,763 |

See accompanying notes to financial statements.

| Activities | Governmental Activities |
|---------------|--|
| Total | Internal Service Fund (Revolving Drain Equipment) |
| \$ 81,931 | \$ - |
| 305,673 | - |
| 6,698,237 | - |
| 74,338 | 3,466 |
| 7,160,179 | 3,466 |
| 4,269,743 | - |
| 1,357,278 | - |
| 553,094 | - |
| 284,694 | - |
| 389,609 | 1,726 |
| 464,890 | 744 |
| 7,319,308 | 2,470 |
| (159,129) | 996 |
| 170,785 | 206 |
| 10,019,286 | - |
| (9,884,964) | - |
| (125,572) | - |
| 5,240 | - |
| (1,404) | - |
| 183,371 | 206 |
| 24,242 | 1,202 |
| (518,737) | - |
| (494,495) | 1,202 |
| 15,580,335 | 18,316 |
| \$ 15,085,840 | \$ 19,518 |

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

| | Business-type | | |
|--|--------------------------------|-----------------------------|--|
| | Delinquent Tax Revolving | Medical Care Facility | Non-major Enterprise Fund (Jail Commissary) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 397,191 | \$ 6,722,360 | \$ 78,994 |
| Cash paid to suppliers | 1,376 | (1,219,123) | (85,139) |
| Cash paid for employee benefits | - | (1,362,205) | - |
| Cash paid to employees | - | (4,271,244) | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 398,567 | (130,212) | (6,145) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Maintenance of effort | - | (125,572) | - |
| Memorial revenue | - | 5,240 | - |
| Memorial expense | - | (1,404) | - |
| Transfers out | (518,737) | - | - |
| Intergovernmental transfers in | - | 10,019,286 | - |
| Intergovernmental transfers out | - | (9,884,964) | - |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (518,737) | 12,586 | -0- |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVATES | | | |
| Capital acquisitions | - | (224,716) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (5,236,236) | (1,170,252) | - |
| Maturity of investments | 5,064,270 | 2,456,758 | - |
| Interest revenue | 120,344 | 50,441 | - |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (51,622) | 1,336,947 | -0- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (171,792) | 994,605 | (6,145) |
| Cash and cash equivalents, beginning of year | 473,327 | 1,647,325 | 63,440 |
| Cash and cash equivalents, end of year | \$ 301,535 | \$ 2,641,930 | \$ 57,295 |

See accompanying notes to financial statements.

| Activities | Governmental Activities |
|--------------|--|
| Total | Internal Service Fund (Revolving Drain Equipment) |
| \$ 7,198,545 | \$ 3,466 |
| (1,302,886) | (1,006) |
| (1,362,205) | - |
| (4,271,244) | - |
| 262,210 | 2,460 |
| (125,572) | - |
| 5,240 | - |
| (1,404) | - |
| (518,737) | - |
| 10,019,286 | - |
| (9,884,964) | - |
| (506,151) | -0- |
| (224,716) | - |
| (6,406,488) | - |
| 7,521,028 | - |
| 170,785 | 206 |
| 1,285,325 | 206 |
| 816,668 | 2,666 |
| 2,184,092 | 23,980 |
| \$ 3,000,760 | \$ 26,646 |

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2003

| | Business-type | | |
|---|--------------------------------|-----------------------------|--|
| | Delinquent Tax Revolving | Medical Care Facility | Non-major Enterprise Fund (Jail Commissary) |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 454,884 | \$ (608,724) | \$ (5,289) |
| Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | - | 389,609 | - |
| Decrease in accounts receivable | 499 | 101,988 | - |
| (Increase) in delinquent taxes receivable | (64,111) | - | - |
| Decrease in inventories | - | - | - |
| (Increase) in prepaid expenses | - | (5,919) | - |
| Increase (decrease) in accounts payable | 1,003 | (1,680) | (856) |
| (Decrease) in due to others | - | - | - |
| Increase (decrease) in due to other governmental units - State | 6,292 | (549) | - |
| (Decrease) in accrued liabilities | - | (4,937) | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 398,567</u> | <u>\$ (130,212)</u> | <u>\$ (6,145)</u> |

See accompanying notes to financial statements.

| <u>Activities</u> | <u>Governmental Activities</u> |
|-------------------|--|
| | <u>Internal Service Fund (Revolving Drain Equipment)</u> |
| <u>Total</u> | |
| | |
| \$ (159,129) | \$ 996 |
| | |
| 389,609 | 1,726 |
| 102,487 | - |
| (64,111) | - |
| -0- | 58 |
| (5,919) | - |
| (1,533) | (119) |
| -0- | (201) |
| | |
| 5,743 | - |
| (4,937) | - |
| | |
| <u>\$ 262,210</u> | <u>\$ 2,460</u> |

Branch County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2003

| | Agency Funds | Pension Fund |
|---|---------------------|----------------------|
| ASSETS | | |
| Cash | \$ 1,576,816 | \$ - |
| Investments | - | 27,281,905 |
| TOTAL ASSETS | <u>\$ 1,576,816</u> | <u>\$ 27,281,905</u> |
| LIABILITIES | | |
| Undistributed collections payable | \$ 980,671 | \$ - |
| Defendant bonds payable | 327,770 | - |
| Due to other governmental units | | |
| Federal/State | 153,803 | - |
| Local | 30,084 | - |
| Due to individuals and agencies | 81,502 | - |
| Advances from county funds - primary government | 2,986 | - |
| TOTAL LIABILITIES | <u>\$ 1,576,816</u> | <u>-0-</u> |
| NET ASSETS | | |
| Held in trust for pension benefits | | 27,281,905 |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 27,281,905</u> |

See accompanying notes to financial statements.

Branch County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2003

| | Pension Fund |
|---|-----------------------------|
| ADDITIONS | |
| Investment income | |
| Interest and dividends | \$ 56,012 |
| Net increase in fair value of investments | <u>2,002,953</u> |
| Net investment income | 2,058,965 |
| Contributions | |
| Employer | 581,359 |
| Employee | <u>828,476</u> |
| Total additions | 3,468,800 |
| DEDUCTIONS | |
| Benefit payments | 1,119,772 |
| Refunds of contributions | 297,002 |
| Administrative expenses | <u>75,648</u> |
| Total deductions | <u>1,492,422</u> |
| CHANGE IN NET ASSETS | 1,976,378 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Beginning of year | <u>25,305,527</u> |
| End of year | <u><u>\$ 27,281,905</u></u> |

See accompanying notes to financial statements.

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

| | Road Commission | Branch-Hillsdale- St. Joseph Community Health Agency | Community Health Center |
|---|----------------------|---|-------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 592,870 | \$ 1,049,322 | \$ 2,956,001 |
| Investments | - | - | 3,879,876 |
| Receivables | 860,888 | 32,557 | 7,005,166 |
| Due from other governmental units | - | 199,405 | - |
| Inventories | 366,697 | 102,575 | - |
| Current portion of lease receivable | - | - | - |
| Other current assets | - | 5,694 | 2,188,052 |
| Due from primary government | - | - | - |
| Total current assets | 1,820,455 | 1,389,553 | 16,029,095 |
| Noncurrent assets | | | |
| Investments - restricted | - | - | 1,903,057 |
| Noncurrent portion of lease receivable | - | - | - |
| Capital assets, net | 27,074,487 | 32,331 | 22,183,508 |
| Other noncurrent assets | - | - | 687,721 |
| Total noncurrent assets | 27,074,487 | 32,331 | 24,774,286 |
| TOTAL ASSETS | 28,894,942 | 1,421,884 | 40,803,381 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 32,632 | 244,519 | 1,730,041 |
| Accrued payroll | - | 78,061 | - |
| Other accrued liabilities | 361,721 | 15,009 | 2,810,578 |
| Due to primary government | - | - | 13,281 |
| Short term debt | - | - | - |
| Current portion of compensated absences | 35,000 | 150,317 | - |
| Current portion of long-term debt | 233,535 | - | 210,000 |
| Total current liabilities | 662,888 | 487,906 | 4,763,900 |
| Noncurrent liabilities | | | |
| Deferred revenue | - | 148,842 | - |
| Advances from other governmental units | - | 4,943 | - |
| Advance from primary government | - | - | - |
| Noncurrent portion of compensated absences | 293,787 | 42,397 | - |
| Noncurrent portion of long-term debt | 454,701 | - | 3,490,000 |
| Total noncurrent liabilities | 748,488 | 196,182 | 3,490,000 |
| TOTAL LIABILITIES | 1,411,376 | 684,088 | 8,253,900 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 26,386,251 | 32,331 | 18,483,508 |
| Restricted for: | | | |
| Specific purposes | - | - | 1,607,136 |
| Debt service | - | - | - |
| Unrestricted | 1,097,315 | 705,465 | 12,458,837 |
| TOTAL NET ASSETS | \$ 27,483,566 | \$ 737,796 | \$ 32,549,481 |

See accompanying notes to financial statements.

| <u>Drainage Districts</u> | <u>Board of Public Works</u> | <u>Total Component Units</u> |
|-------------------------------|----------------------------------|--------------------------------------|
| \$ 587,827 | \$ 632,875 | \$ 5,818,895 |
| - | 181,218 | 4,061,094 |
| 654,585 | 6,795,498 | 15,348,694 |
| - | - | 199,405 |
| 16,925 | - | 486,197 |
| - | 115,000 | 115,000 |
| - | - | 2,193,746 |
| 4,138 | - | 4,138 |
| <u>1,263,475</u> | <u>7,724,591</u> | <u>28,227,169</u> |
| - | - | 1,903,057 |
| - | 4,990,000 | 4,990,000 |
| 1,807,495 | 13,581,202 | 64,679,023 |
| - | - | 687,721 |
| <u>1,807,495</u> | <u>18,571,202</u> | <u>72,259,801</u> |
| 3,070,970 | 26,295,793 | 100,486,970 |
| 2,967 | 4,365 | 2,014,524 |
| - | 3,984 | 82,045 |
| 13,011 | 70,236 | 3,270,555 |
| - | - | 13,281 |
| 56,250 | - | 56,250 |
| - | - | 185,317 |
| 118,500 | 115,000 | 677,035 |
| <u>190,728</u> | <u>193,585</u> | <u>6,299,007</u> |
| - | - | 148,842 |
| - | - | 4,943 |
| 109,000 | 35,000 | 144,000 |
| - | - | 336,184 |
| 250,750 | 4,990,000 | 9,185,451 |
| <u>359,750</u> | <u>5,025,000</u> | <u>9,819,420</u> |
| 550,478 | 5,218,585 | 16,118,427 |
| 1,381,995 | 8,476,202 | 54,760,287 |
| - | 293,024 | 1,900,160 |
| 317,324 | 427,267 | 744,591 |
| 821,173 | 11,880,715 | 26,963,505 |
| <u>\$ 2,520,492</u> | <u>21,077,208</u> | <u>\$ 84,368,543</u> |

Branch County, Michigan
Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| Road Commission | \$ 6,247,417 | \$ 2,254,969 | \$ 4,512,869 | \$ 320,270 | \$ 840,691 | \$ - | \$ 840,691 |
| Branch-Hillsdale-St. Joseph Community Health Agency | 6,232,333 | 826,744 | 4,338,129 | - | (1,067,460) | - | (1,067,460) |
| Drainage Districts | 173,338 | - | - | 352,917 | 179,579 | - | 179,579 |
| Board of Public Works | 322,544 | - | 15,000 | 244,323 | (63,221) | - | (63,221) |
| Total governmental activities | 12,975,632 | 3,081,713 | 8,865,998 | 917,510 | (110,411) | -0- | (110,411) |
| Business-type activities: | | | | | | | |
| Community Health Center | 46,052,622 | 45,243,703 | 1,011,405 | - | - | 202,486 | 202,486 |
| Board of Public Works | 797,930 | 532,883 | - | - | - | (265,047) | (265,047) |
| Total business-type activities | 46,850,552 | 45,776,586 | 1,011,405 | -0- | -0- | (62,561) | (62,561) |
| Total component units | \$ 59,826,184 | \$ 48,858,299 | \$ 9,877,403 | \$ 917,510 | (110,411) | (62,561) | (172,972) |
| General revenues: | | | | | | | |
| Investment earnings | | | | | 35,876 | 143,194 | 179,070 |
| Miscellaneous | | | | | 781,883 | 5,291 | 787,174 |
| Transfers from primary government - net | | | | | 325,579 | - | 325,579 |
| Total general revenues and transfers | | | | | 1,143,338 | 148,485 | 1,291,823 |
| CHANGE IN NET ASSETS | | | | | | | |
| Net assets, beginning of year | | | | | 1,032,927 | 85,924 | 1,118,851 |
| Net assets, end of year | | | | | 36,736,576 | 46,513,116 | 83,249,692 |
| | | | | | \$ 37,769,503 | \$ 46,599,040 | \$ 84,368,543 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Branch, Michigan was incorporated in 1829, and covers an area of approximately 528 square miles with the County seat located in the City of Coldwater. The County operates under an elected Board of Commissioners and provides services to its more than 41,500 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Branch County (primary government) and its component units. The component units described in Sections 2, 3, and 4 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Branch County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Branch County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Branch County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Branch County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Branch County Road Commission maintains local, state, and federal trunklines within Branch County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Branch County Board of Commissioners. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and the financial statements of the Branch County Road Commission may be obtained from the administrative office of the Road Commission located at 23 E. Garfield, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Branch County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Branch County Drainage Districts come under the jurisdiction of the Branch County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The Community Health Center (Hospital) was established by the County Board of Commissioners pursuant to provisions of Public Act 230, 1987. The corporation is managed by a nine (9) member Board of Trustees appointed by the County Board of Commissioners. Trustees can be removed by a majority vote of the County Board of Commissioners. The Board of Trustees may not sell, transfer, mortgage, or encumber any real estate without approval by the County Board of Commissioners. County Board of Commissioner approval is required for single capital expenditures in excess of \$500,000; incurrence of long-term indebtedness or refinancing of short-term indebtedness; sale, lease, transfer, exchange or other disposition of non-real estate assets in excess of \$1,000,000; and contracts with a hospital management corporation and others. The Hospital provides a short-term acute-care facility offering in-patient and outpatient health care services primarily to citizens of Branch County. This Component Unit is audited individually and complete financial statements of the Hospital may be obtained from the administrative office of the Hospital located at 274 E. Chicago St., Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers a significant amount of Federal economic development grant money which is received by the County.

The Economic Development Corporation had no financial activity for the year ended December 31, 2003, and had no assets or liabilities as of December 31, 2003. Accordingly, this report contains no financial statements of the Economic Development Corporation.

The Economic Development Fund, reported in the special revenue fund type, records transactions related to a loan of Federal funds to a local business, not financial transactions of the EDC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture

The Branch-Hillsdale-St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 29, 30, and 41 percent, respectively. In addition, the treasury function for the District Health Department rests with the Branch County Treasurer. For this reason, the Community Health Agency is discretely presented in the Branch County financial statements. This component unit is audited individually and financial statements are issued under separate cover.

The financial statements of the Community Health Agency maybe obtained from the administrative office of the Agency located at 570 N. Marshall Road, Coldwater, Michigan 49036.

5. Related Organizations

Branch County in conjunction with the City of Coldwater entered into an agreement to create the Branch District Library. The District is a legally separate organization established to provide library services to residents of Branch County. On August 1991, voters approved a special mileage to fund the District Library.

The District consists of the entire geographic area of Branch County. It is governed by a seven (7) member Board; two (2) appointed by the City and five (5) appointed by the County. The County's accountability does not extend beyond this representation and making these appointments. The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988. The District Library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The County does levy a tax for the District; however, the County does not hold title to any of the District's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the District.

Branch County, in conjunction with four (4) other Counties, has entered into an agreement that created the Region Eight Substance Abuse Agency. This organization's Board is composed solely of the Kalamazoo County Board of Commissioners who handles all oversight functions of the Agency. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. For the year ended December 31, 2003, the County passed through \$51,305.

The Branch Area Transit Authority (BATA) was established as a legally separate organization pursuant to Public Act 196 of 1986. The incorporating subdivisions include the City of Coldwater, Villages of Quincy, Sherwood and Union City, and Branch County.

The Authority is governed by an eight (8) person Board of Directors, three (3) selected by Branch County, two (2) by the City of Coldwater, and one (1) each by each of the Villages within the County. The County's accountability does not extend beyond this representation and making these appointments. The Board maintains its own accounting system; may employ a manager or executive director; adopt rules, regulations, policies governing employees, property, and facilities; prepares an annual financial report; and adopts by-laws, policies, and procedures deemed necessary for conduct of business. The Authority is financed through grants from Federal and State government, fees from riders, contract users, contributions from governmental entities and other. The Authority currently receives a voter approved tax levy. The County does levy a tax for the Authority; however, the county does not hold title to any of the Authority's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Jointly Governed Organizations

Branch County, in conjunction with five (5) other Counties, has entered into an agreement that created the Southcentral Michigan Planning Commission. This organization's Board is composed of 12 members, of which one (1) is appointed by Branch County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended December 31, 2003, the County's contribution to the Commission was \$0.

Branch County, in conjunction with two (2) other Counties, has entered into a Joint Workforce Development Agreement for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. Another agreement was also entered into to establish the Chief Elected Officials Board (CEOB), for which Branch County appoints two (2) of the seven (7) members, and also the Workforce Development Board (WDB), who are appointed by the CEOB.

These agreements also designate the Calhoun County Intermediate School District as "grant recipient" and "administrative entity" for operation of these programs. The District receives all related funding from State and Federal grants and, as a result, the County has no financial responsibility. The District is also fully responsible and indemnifies the County from potential liability for disallowed costs.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Emergency Services Fund is used to report emergency services that are financed primarily by taxes and expenditures within the fund all to be used for the operation of the fund.
- c. The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and the pension fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets, investment trust funds, and commercial paper with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

11. Investments

Investments are reported at cost, which approximates fair value, except for the Pension securities, which are reported at fair value. Investments consist of Pension Fund securities, certificates of deposit, commercial paper, bankers' acceptances, and U.S. Government Securities with an original maturity of over 90 days.

12. Restricted Investments

Community Health Center (component unit) holds restricted investments that were restricted by the donor for specific purposes.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

14. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Plat Books (Special Revenue) Fund consist of plat books, Revolving Drain Equipment (Internal Service) Fund consist of materials and drain tiles, and Regular Drain (Component Unit Capital Project) Fund consists of materials and culvert. These items are valued at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Inventories - continued

Inventory in the Road Commission (component unit) consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

15. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated funds required to be used for capital acquisitions by action of the Family Independence Agency Board, and patient trust deposits.

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS - DRAINAGE DISTRICTS AND BOARD OF PUBLIC WORKS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 5 - 50 years |
| Equipment and furniture | 3 - 20 years |
| Vehicles | 3 - 5 years |
| Drain infrastructure | 40 years |
| Sewer systems | 40 - 50 years |

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Infrastructure assets are being capitalized and depreciated beginning in fiscal year 2003 as indicated on the government-wide statements. Capital assets are defined by the Branch County Road Commission as assets with an initial individual cost of more than \$1,000 and with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

| | |
|----------------------------|--------------|
| Buildings and improvements | 40 years |
| Equipment | 5 - 10 years |
| Infrastructure | 8 - 50 years |

BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - COMPONENT UNIT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-------------------|--------------|
| Land improvements | 7 years |
| Equipment | 4 - 10 years |

The Agency has no assets that would be classified as infrastructure assets.

COMMUNITY HEALTH CENTER - COMPONENT UNIT

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

| | |
|------------------------------------|---------------|
| Land and improvements | 3 - 25 years |
| Buildings and improvements | 10 - 40 years |
| Furniture, fixtures, and equipment | 6 - 20 years |

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Advances to Component Units

Long-term advances from some funds to component units are made to finance new activities during their initial operations and to finance capital acquisitions. The applicable fund balance is reserved in the Fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

19. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2003, including related payroll taxes, is recorded in the government-wide financial statements.

20. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

21. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

22. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

Public Act 493 of 2000 amended certain budgeting related sections of the Uniform Budgeting and Accounting Act and was given immediate effect. The amendments included the rescission of the requirement for reporting debt service fund budgets in the financial statements. As a result, the Debt Service Funds' budgets are no longer included in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. Budgets and Budgetary Accounting - continued

- a. Prior to August 1, the County Ways and Means Committee prepares and submits their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds, amendments to total fund budgets or salary lines and transfers of greater than \$10,000 are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.
- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

23. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

24. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

25. Accounting Change

As of January 1, 2003, the County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the County's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets were not previously reported. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

25. Accounting Change - continued

- Long-term obligations reported on the statement of net assets include \$12,876,603, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately forty (40) funds. The County's pooled cash and investments consist of a common checking account, money markets, savings, certificates of deposit, commercial paper, banker's acceptances, and investment trust funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds (except for the Delinquent Tax Revolving Funds), Internal Service Fund, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2003, the carrying amounts and bank balance for each type of bank account are as follows:

| <u>ACCOUNT TYPE</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------|----------------------------|-------------------------|
| PRIMARY GOVERNMENT | | |
| Checking and savings | \$(237,111) | \$ 91,612 |
| Certificates of deposit | <u>6,747,064</u> | <u>6,747,064</u> |
| TOTAL PRIMARY GOVERNMENT | 6,509,953 | 6,838,676 |
| FIDUCIARY FUNDS | | |
| Checking | 1,576,816 | 1,545,366 |
| COMPONENT UNITS | | |
| Checking | 8,711,432 | 9,395,721 |
| Savings account | 541,096 | 973,323 |
| Certificates of deposit | <u>326,226</u> | <u>326,226</u> |
| TOTAL COMPONENT UNITS | <u>9,578,754</u> | <u>10,695,270</u> |
| TOTAL REPORTING ENTITY | <u>\$ 17,665,523</u> | <u>\$ 19,079,312</u> |

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2003, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$800,000 and the amount of \$18,279,312 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2003, the carrying amounts and market values for each investment are as follows:

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|----------------------------|-------------------------|
| PRIMARY GOVERNMENT | | |
| Insured or registered for which the securities are held by the County's agent not in the County's name | | |
| Commercial Paper | \$ 880,201 | \$ 880,201 |
| U.S. Government Securities | 1,549,938 | 1,549,938 |
| Uncategorized pooled investment funds | <u>2,893,647</u> | <u>2,893,647</u> |
| Total primary government | 5,323,786 | 5,323,786 |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|----------------------------|----------------------------|
| COMPONENT UNITS | | |
| Insured or registered for which the securities are held by the County's agent not in the County's name | | |
| Commercial Paper | \$ 13,425 | \$ 13,425 |
| U.S. Government Securities | 1,664,208 | 1,664,208 |
| Uncategorized pooled investment funds | <u>516,789</u> | <u>516,789</u> |
| Total component units | <u>2,194,422</u> | <u>2,194,422</u> |
| TOTAL REPORTING ENTITY | <u>\$ 7,518,208</u> | <u>\$ 7,518,208</u> |

The investments in commercial paper are insured or registered, with securities held by National City, Fifth Third, Huntington Capital Corporation, Multi-Bank Securities, McDonald Investment, Inc., UBS Financial Services, and Smith-Barney-Division of Citigroup. The maximum insurance for investments with Smith-Barney-Division of Citigroup is provided by the Securities Investor Protection Act \$500,000; UBS Financial Services \$1,000,000; and Securities Investor Protection Corporation \$500,000. The maximum insurance for investments with NatCity Investments, Inc. is provided by the Securities Investor Protection Corporation \$500,000; and First Clearing - Safekeeping in the amount of \$99,500,000. The investments in Municipal Securities are not insured but are backed by the full faith and credit of the Federal Government. The maximum insurance for investments with Fifth Third is provided by Fifth Third Investment Services, Inc. in the amount of \$99,500,000; and the Securities Investor Protection Corporation \$500,000. Huntington Capital Corporation, Bearsterns Securities Corporation, and McDonald Investments, Inc. are also protected by the Securities Investor Protection Corporation in the amount of \$500,000.

The County has investments purchased for the County employee's Pension Trust Fund through John Hancock Insurance Company, and with one (1) bank and three (3) stockbrokerage companies for the other various investment types. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2003, the market value, which is the carrying amount of the pension trust plans assets, is \$27,281,905. The pension trust fund assets include uninsured and unregistered investments for which the securities are held, by the insurance carrier's trust departments but not in the County's name.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Funds</u> | <u>Reporting Entity</u> |
|--|-------------------------------|----------------------------|----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 517,434 | \$ 5,818,895 | \$ 1,576,816 | \$ 7,913,145 |
| Cash and cash equivalents - restricted | 1,887,399 | - | - | 1,887,399 |
| Investments | 8,310,423 | 4,061,094 | 27,281,905 | 39,653,422 |
| Investments - restricted | <u>1,123,683</u> | <u>1,903,057</u> | <u>-</u> | <u>3,026,740</u> |
| | <u>\$11,838,939</u> | <u>\$11,783,046</u> | <u>\$28,858,721</u> | <u>\$52,480,706</u> |

The primary government cash and cash equivalents captions in the basic financial statements include \$5,200 in imprest cash. The component unit cash and cash equivalents captions in the basic financial statements include \$9,870 in imprest cash.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2003, are as follows:

| <u>Fund</u> | <u>Pooled Cash Overdraft</u> | <u>Nonpooled Cash and Cash Equivalents</u> | <u>Financial Statements</u> |
|------------------------|----------------------------------|--|---------------------------------|
| PRIMARY GOVERNMENT | | | |
| General Fund | \$(2,845,777) | \$ 673,073 | \$(2,172,704) |
| Special Revenue Funds | | | |
| Park Grant - Memorial | (5,403) | - | (5,403) |
| Friend of the Court | (98,516) | - | (98,516) |
| Plat Books | (4,330) | - | (4,330) |
| Total reporting entity | <u>\$(2,954,026)</u> | <u>\$ 673,073</u> | <u>\$(2,280,953)</u> |

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2003:

| | |
|---|-------------------|
| Due to general fund from: | |
| Non-major governmental funds | \$ 33,677 |
| Component units | <u>13,281</u> |
| | <u>\$ 46,958</u> |
| Due to non-major governmental funds from: | |
| Other nonmajor governmental funds | <u>\$ 162,759</u> |
| Due to component units from: | |
| Internal service funds | \$ 4,138 |
| Other component units | <u>203,310</u> |
| | <u>\$ 207,448</u> |

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE - COMPONENT UNITS

The following schedule details advances receivable and payable between the primary government and component units at December 31, 2003:

| | |
|--|-------------------|
| Advance to Component Unit: | |
| General Fund | <u>\$ 144,000</u> |
| Advance to non-major governmental funds: | |
| General fund | <u>\$ 150,000</u> |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE E: ADVANCES RECEIVABLE AND PAYABLE - COMPONENT UNITS - CONTINUED

| | |
|------------------------------------|------------------|
| Advance to internal service funds: | |
| General fund | \$ <u>10,000</u> |
| Advance to fiduciary funds: | |
| General fund | \$ <u>2,986</u> |

The advance to the component unit was made to finance capital acquisitions. The advance to the non-major governmental fund was made to establish the fund in 2001.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

| <u>Fund</u> | <u>Primary Government</u> | | <u>Component Units</u> | |
|---|---------------------------|----------------------|--|---|
| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Transfers from Primary Government</u> | <u>Transfers to Component Units</u> |
| Primary Government | | | | |
| General | \$ 927,937 | \$ 1,243,801 | \$ - | \$ 325,579 |
| Emergency services | 40,251 | - | - | - |
| Non-major governmental funds | 1,425,988 | 631,638 | - | - |
| Delinquent tax revolving | - | 518,737 | - | - |
| Component Units | | | | |
| Drainage Districts | - | - | 43,479 | - |
| Road Commission | - | - | 25,000 | - |
| Branch-Hillsdale-St. Joseph District Health Department | - | - | 257,100 | - |
| | <u>\$ 2,377,721</u> | <u>\$ 2,377,721</u> | <u>\$ 325,579</u> | <u>\$ 325,579</u> |

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

Primary Government

| | <u>Restated Balance Jan. 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance Dec. 31, 2003</u> |
|---------------------------|--|------------------|------------------|----------------------------------|
| Governmental activities | | | | |
| Land | \$ 943,759 | \$ - | \$ - | \$ 943,759 |
| Land improvements | 500,082 | - | - | 500,082 |
| Buildings and additions | 19,043,329 | 1,066,217 | - | 20,109,546 |
| Equipment and furniture | 5,782,072 | 192,072 | - | 5,974,144 |
| Vehicles | 844,566 | 57,311 | - | 901,877 |
| Totals at historical cost | 27,113,808 | 1,315,600 | -0- | 28,429,408 |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

| | Restated Balance Jan. 1, 2003 | Additions | Deletions | Balance Dec. 31, 2003 |
|-------------------------------------|-------------------------------------|----------------------|---------------|--------------------------|
| Governmental activities - continued | | | | |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$(51,765) | \$(23,747) | \$ - | \$(75,512) |
| Buildings and additions | (5,850,066) | (588,398) | - | (6,438,464) |
| Equipment and furniture | (1,064,058) | (451,615) | - | (1,515,673) |
| Vehicles | (255,789) | (82,126) | - | (337,915) |
| Total accumulated depreciation | (7,221,678) | (1,145,886) | -0- | (8,367,564) |
| Capital assets, net | <u>\$ 19,892,130</u> | <u>\$ 169,714</u> | <u>\$ -0-</u> | <u>\$ 20,061,844</u> |
| Business-type activities | | | | |
| Land and improvements | \$ 587,975 | \$ - | \$ - | \$ 587,975 |
| Buildings | 7,332,476 | - | - | 7,332,476 |
| Equipment | <u>1,243,360</u> | <u>-</u> | <u>-</u> | <u>1,243,360</u> |
| Totals at historical cost | 9,163,811 | -0- | -0- | 9,163,811 |
| Less accumulated depreciation for: | | | | |
| Land and improvements | (303,969) | (17,715) | - | (321,684) |
| Buildings | (3,012,786) | (278,743) | - | (3,291,529) |
| Equipment | (695,111) | (93,151) | - | (788,262) |
| Total accumulated depreciation | (4,011,866) | (389,609) | -0- | (4,401,475) |
| Capital assets, net | <u>\$ 5,151,945</u> | <u>\$(389,609)</u> | <u>\$ -0-</u> | <u>\$ 4,762,336</u> |

Component Units

| | Restated Balance Jan. 1, 2003 | Additions | Deletions | Balance Dec. 31, 2003 |
|--|-------------------------------------|----------------------|---------------|--------------------------|
| Component Unit - Drainage Districts | | | | |
| Governmental Activities | | | | |
| Drains | \$ 3,472,417 | \$ 37,248 | \$ - | \$ 3,509,665 |
| Less accumulated depreciation for: | | | | |
| Drains | (1,541,851) | (160,319) | - | (1,702,170) |
| Capital assets, net | <u>\$ 1,930,566</u> | <u>\$(123,071)</u> | <u>\$ -0-</u> | <u>\$ 1,807,495</u> |
| Component Unit - Board of Public Works | | | | |
| Land | \$ 1,096,843 | \$ - | \$ - | \$ 1,096,843 |
| Buildings | 3,832,141 | - | - | 3,832,141 |
| Equipment | 706,069 | - | - | 706,069 |
| Vehicles | 20,684 | - | - | 20,684 |
| Sewer | <u>10,937,341</u> | <u>-</u> | <u>-</u> | <u>10,937,341</u> |
| Totals at historical cost | 16,593,078 | -0- | -0- | 16,593,078 |

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

| | Restated Balance Jan. 1, 2003 | Additions | Deletions | Balance Dec. 31, 2003 |
|---|-------------------------------------|----------------------|------------------|--------------------------|
| Component Unit - Board of Public Works - continued | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings | \$(596,348) | \$(82,252) | \$ - | \$(678,600) |
| Equipment | (408,102) | (22,428) | - | (430,530) |
| Vehicles | (19,576) | (443) | - | (20,019) |
| Sewer | (1,659,088) | (223,639) | - | (1,882,727) |
| Total accumulated depreciation | (2,683,114) | (328,762) | -0- | (3,011,876) |
| Capital assets, net | <u>\$ 13,909,964</u> | <u>\$(328,762)</u> | <u>\$ -0-</u> | <u>\$ 13,581,202</u> |
| Component Unit - Road Commission | | | | |
| Capital assets not being depreciated | | | | |
| Land and improvements | 41,464 | 5,000 | - | 46,464 |
| Land Improvements - infrastructure | <u>2,753,034</u> | <u>124,814</u> | - | <u>2,877,848</u> |
| | 2,794,498 | 129,814 | -0- | 2,924,312 |
| Capital assets being depreciated | | | | |
| Depletable assets | 626,798 | - | - | 626,798 |
| Buildings | 1,268,411 | 20,995 | - | 1,289,406 |
| Equipment | | | | |
| Road | 6,079,957 | 474,984 | 217,844 | 6,337,097 |
| Shop | 243,001 | - | - | 243,001 |
| Office | 107,508 | 1,024 | - | 108,532 |
| Engineers | 6,351 | - | - | 6,351 |
| Yard and Storage | 505,973 | 336,712 | - | 842,685 |
| Infrastructure | <u>39,786,405</u> | <u>2,713,425</u> | - | <u>42,499,830</u> |
| | 48,624,404 | 3,547,140 | 217,844 | 51,953,700 |
| Accumulated depreciation and depletion | | | | |
| Depletable assets | (530,678) | (3,880) | - | (534,558) |
| Buildings | (798,163) | (54,738) | - | (852,901) |
| Equipment | | | | |
| Road | (4,496,424) | (573,950) | (189,652) | (4,880,722) |
| Shop | (183,996) | (16,235) | - | (200,231) |
| Office | (62,171) | (14,765) | - | (76,936) |
| Engineers | (6,347) | (3) | - | (6,350) |
| Yard and Storage | (489,116) | (18,369) | - | (507,485) |
| Infrastructure | <u>(18,990,422)</u> | <u>(1,753,920)</u> | - | <u>(20,744,342)</u> |
| | (25,557,317) | (2,435,860) | (189,652) | (27,803,525) |
| Capital assets being depreciated, net | <u>23,067,087</u> | <u>1,111,280</u> | <u>28,192</u> | <u>24,150,175</u> |
| Total capital assets, net | <u>\$ 25,861,585</u> | <u>\$ 1,241,094</u> | <u>\$ 28,192</u> | <u>\$ 27,074,487</u> |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

| | Restated Balance Jan. 1, 2003 | Additions | Deletions | Balance Dec. 31, 2003 |
|---|-------------------------------------|----------------------|----------------------|--------------------------|
| Component Unit - Community Health Center | | | | |
| Land and improvements | \$ 1,335,494 | \$ 981,829 | \$ - | \$ 2,317,323 |
| Buildings and improvements | 19,175,048 | 9,102,079 | - | 28,277,127 |
| Furniture, fixtures, and equipment | 22,508,598 | 2,240,063 | 28,759 | 24,719,902 |
| Construction in progress | <u>8,687,349</u> | <u>1,341,219</u> | <u>10,014,866</u> | <u>13,702</u> |
| Totals at historical cost | 51,706,489 | 13,665,190 | 10,043,625 | 55,328,054 |
| Less accumulated depreciation for: | | | | |
| Land and improvements | (716,566) | (44,066) | - | (760,632) |
| Buildings and improvements | (12,611,899) | (1,147,915) | - | (13,759,814) |
| Furniture, fixtures, and equipment | <u>(17,126,512)</u> | <u>(1,526,347)</u> | <u>(28,759)</u> | <u>(18,624,100)</u> |
| Total accumulated depreciation | <u>(30,454,977)</u> | <u>(2,718,328)</u> | <u>(28,759)</u> | <u>(33,144,546)</u> |
| Capital assets, net | <u>\$ 21,251,512</u> | <u>\$ 10,946,862</u> | <u>\$ 10,014,866</u> | <u>\$ 22,183,508</u> |
| Component Unit - Branch-Hillsdale-St. Joseph Community Health Agency | | | | |
| Equipment | \$ 135,142 | \$ - | \$ - | \$ 135,142 |
| Land Improvements | <u>22,723</u> | <u>-</u> | <u>-</u> | <u>22,723</u> |
| Totals at historical cost | 157,865 | -0- | -0- | 157,865 |
| Less accumulated depreciation for: | | | | |
| Equipment | (98,456) | (16,257) | - | (114,713) |
| Land Improvements | <u>(7,575)</u> | <u>(3,246)</u> | <u>-</u> | <u>(10,821)</u> |
| Total accumulated depreciation | <u>(106,031)</u> | <u>(19,503)</u> | <u>-0-</u> | <u>(125,534)</u> |
| Capital assets, net | <u>\$ 51,834</u> | <u>\$ (19,503)</u> | <u>\$ -0-</u> | <u>\$ 32,331</u> |

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS

The short-term debt of the County consists of various drain notes issued for purposes of financing costs in connection with various drainage district construction and maintenance projects.

The drain notes are reported in the Drainage Districts Component Unit Drain Construction (Capital Projects) Fund and are detailed as follows:

| Drain Note Number | Balance Dec. 31, 2003 |
|----------------------|--------------------------|
| #02-19 | \$ 2,500 |
| #03-01 | 10,000 |
| #03-03 | 1,500 |
| #03-05 | 10,000 |
| #03-06 | 2,500 |
| #03-07 | 7,500 |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS - CONTINUED

| <u>Drain Note Number</u> | <u>Balance Dec. 31, 2003</u> |
|------------------------------|----------------------------------|
| #03-09 | \$ 5,000 |
| #03-10 | 3,000 |
| #03-11 | 5,000 |
| #03-14 | 3,750 |
| #03-16 | <u>5,500</u> |
| | <u>\$ 56,250</u> |

NOTE I: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended December 31, 2003:

| | <u>Restated Balance Jan. 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance Dec. 31, 2003</u> | <u>Amounts Due Within One Year</u> |
|--------------------------------------|--|--------------------------|----------------------------|----------------------------------|--|
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Direct County Obligations | \$12,020,000 | \$ - | \$ 655,000 | \$11,365,000 | \$ 675,000 |
| Capital leases | 240,545 | - | 117,224 | 123,321 | 123,321 |
| Compensated absences | <u>616,058</u> | <u>33,788</u> | <u>-</u> | <u>649,846</u> | <u>64,985</u> |
| | 12,876,603 | 33,788 | 772,224 | 12,138,167 | 863,306 |
| Business-type Activities | | | | | |
| Enterprise Fund | | | | | |
| Medical Care Facility | | | | | |
| Compensated absences | <u>433,724</u> | <u>-</u> | <u>14,870</u> | <u>418,854</u> | <u>41,855</u> |
| TOTAL PRIMARY GOVERNMENT | 13,310,327 | 33,788 | 787,094 | 12,557,021 | 905,161 |
| COMPONENT UNIT FUNDS | | | | | |
| Board of Public Works | | | | | |
| Sanitary sewer bonds | 5,290,000 | - | 185,000 | 5,105,000 | 115,000 |
| Drainage Districts | | | | | |
| Drain Notes | 487,200 | 56,750 | 174,700 | 369,250 | 118,500 |
| Community Health Center | | | | | |
| Hospital Revenue Bonds | 3,900,000 | - | 200,000 | 3,700,000 | 210,000 |
| Road Commission | | | | | |
| Installment lease purchase agreement | 464,508 | 538,416 | 314,688 | 688,236 | 233,535 |
| Compensated absences | 363,552 | - | 34,765 | 328,787 | 35,000 |
| Branch-Hillsdale-St. Joseph | | | | | |
| Community Health Agency | | | | | |
| Compensated absences | <u>199,292</u> | <u>-</u> | <u>6,578</u> | <u>192,714</u> | <u>150,317</u> |
| TOTAL COMPONENT UNITS | <u>10,704,552</u> | <u>595,166</u> | <u>915,731</u> | <u>10,383,987</u> | <u>862,352</u> |
| TOTAL REPORTING ENTITY | <u>\$24,014,879</u> | <u>\$ 628,954</u> | <u>\$ 1,702,825</u> | <u>\$22,941,008</u> | <u>\$ 1,767,513</u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE I: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT**Direct County Obligations - County Building Authority Bonds

The Branch County Board of Commissioners is party to long-term lease agreements for rental of the Hospital, Medical Care Facility, Courthouse, and FIA buildings from the Branch County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2003 are as follows:

| | |
|---|----------------------------|
| \$2,550,000 Branch County Building Authority Bonds (FIA Project) - Series 1998A, dated April 1, 1998, due in annual installments ranging from \$100,000 to \$200,000 through September 1, 2018, with interest ranging from 4.600 to 4.625 percent, payable semi-annually. | \$ 2,150,000 |
| \$2,000,000 Branch County Building Authority Bonds (Human Services) - Series 1999, dated December 1, 1999, due in annual installments ranging from \$75,000 to \$100,000 through September 1, 2007, with interest ranging from 5.25 to 5.30 percent, payable semi-annually. | 350,000 |
| \$4,000,000 Branch County Building Authority Bonds (Hospital) - Series 2001, dated March 1, 2001, due in annual installments ranging from \$210,000 to \$380,000 through September 1, 2016, with interest ranging from 4.375 to 4.5 percent, payable semi-annually. | 3,700,000 |
| \$995,000 Branch County Building Authority Bonds (Commission on Aging) - Series 2001 A, dated June 1, 2001, due in annual installments ranging from \$35,000 to \$75,000 through September 1, 2021, with interest ranging from 3.60 to 5.25 percent, payable semi-annually. | 940,000 |
| \$2,750,000 Branch County Building Authority Refunding Bonds - Series 2002, dated April 1, 2002, due in annual installments ranging from \$105,000 to \$320,000 through September 1, 2017, with interest ranging from 3.0 to 4.75 percent, payable semi-annually. | 2,535,000 |
| \$1,750,000 Branch County Building Authority Bonds (Courthouse) - Series 2002, dated August 1, 2002, due in annual installments ranging from \$60,000 to \$135,000 through September 1, 2022, with interest ranging from 3 to 4.75 percent, payable semi-annually. | <u>1,690,000</u> |
| | <u>\$11,365,000</u> |

Capital Leases

The County has entered into lease purchase agreements which qualify as capital leases for accounting purposes (title transfers to County) and therefore have been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the leases.

| | |
|--|--------------------------|
| \$370,278 Branch County capital lease payable, dated January 25, 2002, due in an annual installment of \$129,733 through January 25, 2004 with interest of 5.20 percent, payable annually. | <u>\$ 123,321</u> |
|--|--------------------------|

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE I: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,068,700 for vacation and sick, at December 31, 2003. Of this amount, \$418,854 has been accrued as a liability in the Medical Care Facility (Enterprise) Fund Balance Sheet. Of the remaining liability of \$649,846, \$64,985 has been recorded as a current liability and \$584,861 has been recorded as a noncurrent liability.

Advance Refundings - Prior

On April 1, 2002 the County defeased a portion of the 1999 Building Authority Bonds (Human Services) which are due and payable September 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2002 Refunding Bonds in the amount of \$2,750,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the 1990-1 Building Authority Bonds (Mental Health Building) and 1994 Building Authority Bonds (K.C.C. Project). Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2003, bonds due and payable September 1, 2019 for 1999 Building Authority Bonds (Human Services) in the amount of \$1,400,000 are considered defeased.

On April 2, 2001 the County defeased a portion of the 1998A Building Authority Bonds (FIA Project) which are due and payable September 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County used remaining bond proceeds from the 1998A Building Authority Bonds (FIA Project) in the amount of \$201,879 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2003, bonds due and payable September 1, 2018 for the 1998A Building Authority Bonds (FIA Project) in the amount of \$190,000 are considered defeased.

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Sanitary Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following sanitary sewer system bonds. These projects are administered by the Branch County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2003, for the Sanitary Sewer System construction projects are as follows:

\$6,300,000 Branch County Sanitary Sewer System No. 2 Bonds - Farmers Home Administration (Coldwater and Long Lake Extensions), Series A, dated August 1, 1997, due in annual installments ranging from \$30,000 to \$315,000 through May 1, 2026, with interest at 5.125 percent, payable semi-annually.

\$ 5,000,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE I: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Sanitary Sewer Bonds - continued

\$995,000 Branch County Sanitary Sewer System No. 2 Bonds (Coldwater and Long Lake Extensions), Series B, dated August 1, 1998, due in annual installments ranging from \$40,000 to \$80,000 through May 1, 2026, with interest ranging from 5.00 to 6.25 percent, payable semi-annually.

\$ 105,000

\$ 5,105,000

Advance Refunding - Prior

On November 15, 1999, the County defeased \$610,000 of the outstanding Sanitary Sewer Disposal System No. 2 bonds, dated August 1, 1996, maturing May 1, 2006 through May 1, 2016, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations of \$610,000, and associated semi-annual interest payments. The funds used to fund these escrow amounts were from excess bond proceeds remaining after completion of the related construction project. Accordingly, the trust account assets and liabilities for the defeased portion of the bond issue are not included in the County's financial statements. At December 31, 2003, bonds outstanding of \$55,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain loans and notes. These projects are administered by the Branch County Drain Commission for various local drainage districts. The drain loans and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Loan and notes payable at December 31, 2003, per respective Drain projects serviced from the Component Unit Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2009.

\$ 369,250

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Employees of the Branch - Hillsdale - St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Accumulated vacation leave and personal pay represent a liability to the Agency, which is presented in a current and long term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements represents a current liability of \$150,317 and a long term liability of \$42,397. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE I: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - COMMUNITY HEALTH CENTER

Hospital Revenue Bonds, Series 2001, issued through the Branch County Building Authority, bearing interest ranging from 4.375 to 4.50 percent. Annual principal payments range from \$210,000 in 2004 to \$380,000 in 2016. Collateralized by a lease agreement on the building and surrounding land with the Authority and the County of Branch. In turn, the County subleases the building and land to the Hospital under the same terms. The Hospital makes payment directly to the Authority.

\$ 3,700,000

COMPONENT UNIT - ROAD COMMISSION

Lease Purchase Agreements

The Road Commission entered into four purchase agreements for certain equipment secured by the related equipment. Payment terms are as follows:

| | <u>Annual Payments</u> | <u>Interest Rates</u> | <u>Final Payment</u> |
|---|----------------------------|---------------------------|--------------------------|
| 4 trucks, 1 motor grader and asphalt plant refurbishment | \$102,714 - 204,508 | 3.5 % | 5/07 |
| Excavator | 53,312 | 3.8 - 5.25 | 12/06 |

Accrued Sick and Vacation

After the first year of employment, employees can earn one week of vacation. Thereafter employees earn one additional day of vacation per year, until a limit of four weeks is reached. Vacation leave may be accumulated up to a maximum of one week over the annual allotment, as of the employee's anniversary date.

Sick leave is earned at the rate of 12 days per year, a maximum of 62.5 days may be accumulated.

Excess sick leave earned above 62.5 days is then converted into personal days. Personal days can be accumulated up to a maximum of 12 days and are paid off on the employee's anniversary date.

Vacation, sick, and personal pay is payable in full when employment ceases.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

| <u>Year Ending December 31,</u> | <u>Primary Government</u> | | | |
|-------------------------------------|----------------------------------|-------------------|-----------------------|-----------------|
| | <u>Direct County Obligations</u> | | <u>Capital Leases</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2004 | \$ 675,000 | \$ 497,885 | \$ 123,321 | \$ 6,413 |
| 2005 | 690,000 | 471,250 | - | - |
| 2006 | 735,000 | 442,975 | - | - |
| 2007 | 780,000 | 412,063 | - | - |
| 2008 | 805,000 | 379,068 | - | - |
| 2009-2013 | 3,675,000 | 2,071,150 | - | - |
| 2014-2018 | 3,295,000 | 573,363 | - | - |
| 2019-2022 | 710,000 | 422,538 | - | - |
| | <u>\$ 11,365,000</u> | <u>\$ 570,292</u> | <u>\$ 123,321</u> | <u>\$ 6,413</u> |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE I: LONG-TERM DEBT - CONTINUED

| Year Ending September 30, | Component Units | | | | | | | |
|------------------------------|-----------------------------------|------------------|---|---------------------|--------------------------------------|------------------|--|---------------------|
| | Drainage Districts Drain Notes | | Board of Public Works Sanitary Sewer Bonds | | Road Commission Installment Lease | | Community Health Hospital/Revenue Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Payment | Interest |
| 2004 | \$ 118,500 | \$ 8,593 | \$ 115,000 | \$ 264,362 | \$ 233,535 | \$ 24,285 | \$ 210,000 | \$ 163,846 |
| 2005 | 127,500 | 10,932 | 165,000 | 258,268 | 174,460 | 15,711 | 220,000 | 154,659 |
| 2006 | 89,000 | 10,925 | 225,000 | 250,225 | 180,991 | 9,180 | 230,000 | 145,034 |
| 2007 | 22,500 | 982 | 200,000 | 239,337 | 99,250 | 3,464 | 240,000 | 134,971 |
| 2008 | 7,000 | 3,630 | 245,000 | 229,088 | - | - | 250,000 | 124,471 |
| 2009-2013 | 5,000 | 250 | 1,450,000 | 937,875 | - | - | 1,470,000 | 444,734 |
| 2014-2018 | - | - | 1,530,000 | 556,575 | - | - | 1,080,000 | 99,000 |
| 2019-2023 | - | - | 1,175,000 | 158,362 | - | - | - | - |
| 2024-2028 | - | - | - | - | - | - | - | - |
| 2029-2033 | - | - | - | - | - | - | - | - |
| 2034-2038 | - | - | - | - | - | - | - | - |
| 2039-2043 | - | - | - | - | - | - | - | - |
| | <u>\$ 369,250</u> | <u>\$ 35,312</u> | <u>\$ 5,105,000</u> | <u>\$ 2,894,092</u> | <u>\$ 688,236</u> | <u>\$ 52,640</u> | <u>\$ 3,700,000</u> | <u>\$ 1,266,715</u> |

NOTE J: EMPLOYEE RETIREMENT SYSTEM

**RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER
PLAN DESCRIPTION**

Branch County (primary government) and its component units (County Road Commission and the Community Health Center) contribute to the Branch County Pension Plan, which is a defined benefit, cost sharing, multiple employer retirement system covering substantially all of its employees. The plan is administered by Branch County, with investments purchased through John Hancock Insurance Company, one (1) bank and three (3) brokerage companies. To be eligible for the plan, an employee must be a regular full-time employee, have completed six (6) months of service, and make employee contributions. The County's contributions for the years ended December 31, 2003, 2002, and 2001 were based on the payroll for employees covered by the system as of December 31, 2002, 2001, and 2000. The covered payroll for 2002 was \$1,844,999, \$7,101,503, and \$7,247,607 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2001 was \$1,817,978, \$6,370,760, and \$7,026,459 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2000 was \$1,853,550, \$5,683,902, and \$6,515,919 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2002 was \$1,984,564, \$16,194,109, and \$12,604,413 for the County Road Commission, Community Health Center, and all other County employee groups. The total payroll for 2001 was \$1,982,129, \$17,712,445, and \$12,366,494 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2000 was \$1,926,576, \$17,317,524, and \$13,175,409 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Branch County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2002, membership consisted of 294 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 465 current active employees.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

The obligation to contribute to and maintain the system for covered employees was established in the Branch County Pension Plan, as amended January 1, 1989, and requires a contribution from the employees of three (3) percent of the first \$4,800 of gross wages, plus five (5) percent of the remaining amount. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actual employee contributions for the year ended December 31, 2002 was \$91,968, \$337,050, and \$360,383, these contributions representing 5.0, 4.7, and 5.0 percent of covered payroll for the County Road Commission, Community Health Center, and all other County employee groups.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of assets (a) | Actuarial Accrued Liability (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|--------------------------------------|
| 12/31/00 | \$ 25,279,018 | \$ 35,132,890 | \$(9,853,872) | 71.95 % | \$ 14,053,374 | 70 % |
| 12/31/01 | 26,749,791 | 38,454,768 | (11,704,977) | 69.56 % | 15,215,197 | 77 % |
| 12/31/02 | 28,236,752 | 41,604,176 | (13,367,424) | 67.87 % | 16,194,109 | 83 % |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended Dec. 31, | Annual Required Contribution | Percentage Contributed | Net Pension Obligation |
|---------------------------|------------------------------------|---------------------------|------------------------------|
| 2000 | \$ 829,572 | 98 % | \$ 12,930 |
| 2001 | 755,088 | 98 % | 15,852 |
| 2002 | 944,726 | 92 % | 74,958 |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2001, the latest actuarial valuation, follows:

| | |
|--|-----------------------|
| Actuarial cost method | Aggregate cost method |
| Amortization method | Level percent, closed |
| Remaining amortization period | * |
| Asset valuation method | * |
| Actuarial assumptions: | |
| Investment rate of return | 7.75% |
| Projected salary increases attributable to inflation | 4.5% |
| Cost of living adjustments | None |

* Information not provided in actuarial valuation report

NOTE: The Aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Plan Description

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2003, the Agency's annual pension cost of \$50,275 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

Three (3) year trend information

| | Year Ended December 31, | | |
|---|-------------------------|---------------|--------------|
| | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| Actuarial value of assets | \$ 6,622,754 | \$ 7,045,120 | \$ 7,160,660 |
| Actuarial accrued liability (AAL) (entry age) | 4,773,631 | 5,544,070 | 6,810,239 |
| Unfunded (overfunded) AAL | (1,849,123) | (1,501,050) | (350,421) |
| Funded ratio | 139 % | 127 % | 105 % |
| Covered payroll | 2,305,603 | 2,419,830 | 2,553,708 |
| UAAL as a percentage of covered payroll | 0 % | 0 % | 0 % |

| | Year Ended September 30, | | |
|-------------------------------|--------------------------|-------------|-------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> |
| Annual pension cost | \$ -0- | \$ -0- | \$ 50,275 |
| Percentage of APC contributed | N/A % | N/A % | 100 % |
| Net pension obligation | - | - | - |

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE K: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

A substantial portion of the Medical Care Facility's total patient revenues are for services provided to Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

NOTE L: ROAD COMMISSION FEDERAL GRANTS

Governmental and certain other entities which expend \$300,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$320,270 of federal/state dollars which were passed through and administered by the Michigan Department of Transportation. The passed through monies will be included in the State of Michigan's single audit.

NOTE M: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County carries commercial insurance for the risk of loss due to workers' compensation claims.

The County is a voluntary member of the Michigan Municipal Risk Management Authority established pursuant to laws of the State of Michigan, which authorize local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property. Membership of the Authority at December 31, 2003, was comprised of more than 280 units of government.

The administration of the Authority is directed by a nine member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Branch County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE M: RISK MANAGEMENT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

As members of the State Pool, the County has no funds on deposit with the Authority and does not participate in the Authority's stop loss program. Under most circumstances, the County's maximum insurance limits and deductibles per occurrence are as follows:

| | <u>Insurance Limit</u> | <u>Deductible</u> |
|-------------------------------|------------------------|-------------------|
| General and auto liability | \$ 15,000,000 | \$ 250 |
| Motor vehicle physical damage | 1,500,000 | 250 |
| Property coverage | 30,202,615 | 250 |

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for property, fleet, umbrella, errors and omissions, and dishonesty bond. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Agency has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

COMPONENT UNIT - COMMUNITY HEALTH CENTER

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and dental benefits provided to employees. The Hospital has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries. The Hospital is self-insured for medical and dental benefits provided to employees. The Hospital has purchased a stop loss insurance policy to cover individual medical and dental claims in excess of policy limits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Medical and Dental

The Hospital estimates the liability for medical and dental claims that have been incurred through the end of the fiscal year, including both claims that have been reported, as well as those that have not yet been reported. These estimates are recorded in accrued liabilities. Changes in the estimated liability for the past two years were as follows:

| | <u>2003</u> | <u>2002</u> |
|---|-------------------|-------------------|
| Estimated liability - beginning of year | \$ 295,041 | \$ 291,508 |
| Claims incurred, including changes in estimates | 1,773,464 | 1,753,994 |
| Claim payments | (1,789,754) | (1,750,461) |
| Estimated liability - end of year | <u>\$ 278,751</u> | <u>\$ 295,041</u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE M: RISK MANAGEMENT - CONTINUED**COMPONENT UNIT - COMMUNITY HEALTH CENTER - CONTINUED****Malpractice**

The Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital must pay a deductible towards the costs of litigating or settling any asserted claims. In addition, the Hospital bears the risk of the ultimate costs of any individual claim exceeding the policy limits for claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Hospital is involved in certain legal actions arising from services provided to patients and additionally is aware of certain possible claims occurring prior to participation in the claims-made arrangement. Although the Hospital is unable to precisely estimate the ultimate cost of settlements of professional liability claims, provision is made for management's best estimate of losses for uninsured portions of pending claims. Management believes, after considering legal counsel's evaluations of all actions and claims, that insurance coverage and accruals for estimated losses are adequate to cover expected settlements.

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2003 ad valorem tax is levied and collectible on December 31, 2003, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations.

The 2003 taxable value of Branch County amounted to \$1,018,392,212 on which ad valorem taxes levied consisted of 4.8445 mills for general operations, .7201 mills for Commission on Aging, .7500 mills for Emergency 911 services, and .4943 mills for the Jail.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund; Jail Millage, Emergency Services, and Commission on Aging (Special Revenue) Funds.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

Taxes receivable recorded in the respective funds at December 31, 2003 are as follows:

| <u>Taxes Receivable</u> | <u>Special Revenue</u> | | | | <u>Enterprise Delinquent Tax Revolving Funds</u> | <u>Total</u> |
|-----------------------------|------------------------|-------------------------|-------------------------------|--------------------------------|--|---------------------|
| | <u>General</u> | <u>Jail Millage</u> | <u>Emergency Services</u> | <u>Commission on Aging</u> | | |
| Current | \$ 4,958,458 | \$ 505,774 | \$ 769,700 | \$ 736,881 | \$ - | \$ 6,970,813 |
| Delinquent | - | - | - | - | 1,289,402 | 1,289,402 |
| | <u>\$ 4,958,458</u> | <u>\$ 505,774</u> | <u>\$ 769,700</u> | <u>\$ 736,881</u> | <u>\$ 1,289,402</u> | <u>\$ 8,260,215</u> |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE - CONTINUED

The delinquent portion of the taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Funds.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund equity indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of December 31, 2003:

PRIMARY GOVERNMENT

General Fund

Reserved for

Advances to component units and other funds

\$ 306,986

Remonumentation

16,535

323,521

Special Revenue Funds

Plat Book Fund

4,318

Reserved for inventories

Housing Commission Fund

3,358

Reserved for grant expenditures

Clock Tower Fund

6,749

Reserved for clock tower expenditures

14,425

TOTAL PRIMARY GOVERNMENT

337,946

COMPONENT UNITS

Drainage Districts

Capital Projects Funds

Regular Drain

16,925

Reserved for inventories

Debt Service Funds

Regular Drain

300,000

Reserved for debt service

Lake Level

30,000

Reserved for debt service

Marble Lake Level

335

Reserved for debt service

330,335

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS - CONTINUED

Board of Public Works

Debt Service Funds

Coldwater/Long Lake Sewer

Reserved for debt service

\$ 387,299

Coldwater/Long Lake Sewer Supplemental

Reserved for debt service

109,899

497,198

Road Commission

Reserved for inventories

366,697

Branch-Hillsdale-St. Joseph Community Health Agency

Reserved for prepaid expenditures

5,694

TOTAL COMPONENT UNITS

1,216,849

TOTAL REPORTING ENTITY

\$ 1,554,795

The following are the various net asset reserves at December 31, 2003:

PRIMARY GOVERNMENT

Enterprise Funds

Medical Care Facility Fund

Reserved for

Capital asset replacement

\$ 2,907,312

Funded fringes

49,614

Delinquent Tax Revolving

Reserved for tax administration

65,250

3,022,176

Fiduciary Funds

Pension Trust Fund

Reserved for employee retirement

27,281,905

TOTAL PRIMARY GOVERNMENT

30,304,081

COMPONENT UNITS

Board of Public Works

Enterprise Fund

Sewer Fund

Reserved for capital asset replacement

239,170

TOTAL REPORTING ENTITY

\$30,543,251

The following are the various fund balance designations as of December 31, 2003:

PRIMARY GOVERNMENT

Special Revenue Funds

Commission on Aging Facility

Designated for debt service

\$ 60,000

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS

| | |
|---|-------------------|
| Board of Public Works | |
| Special Revenue Funds | |
| Water and Sewer | |
| Designated for capital expenditures | \$ 28,950 |
| Capital Projects Funds | |
| Lake Maintenance | |
| Designated for capital expenditures | <u>190,266</u> |
| | 219,216 |
| Drainage Districts | |
| Capital Projects Funds | |
| Regular Drain | |
| Designated for capital expenditures | 308,165 |
| Lake Level | |
| Designated for capital expenditures | 70,583 |
| Branch-Hillsdale-St. Joseph Community Health Agency | |
| Designated for vacation and personal leave | <u>192,714</u> |
| | <u>630,830</u> |
| TOTAL COMPONENT UNITS | <u>850,046</u> |
| TOTAL REPORTING ENTITY | <u>\$ 910,046</u> |

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2003:

PRIMARY GOVERNMENT

| | |
|------------------------------|-------------------|
| Governmental Activities | |
| Public Safety | |
| Jail millage | <u>\$ 123,366</u> |
| Other Purposes | |
| Friend of the Court | \$ 47,499 |
| Tax administration | 125,356 |
| Commission on Aging | 77,830 |
| Child Care - FIA | 20,121 |
| Veterans Trust | 360 |
| Commission of Aging facility | <u>93,142</u> |
| | <u>364,308</u> |
| Business-type Activities | |
| Medical Care Facility Fund | |
| Restricted for memorials | <u>\$ 36,564</u> |

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE P: RESTRICTED NET ASSETS - CONTINUED

COMPONENT UNITS

| | |
|----------------------------------|---------------------|
| Community Health Center | |
| Restricted for specific purposes | \$ 1,607,136 |
| Drainage Districts | |
| Restricted for debt service | 317,324 |
| Board of Public Works | |
| Restricted for specific purposes | 293,024 |
| Restricted for debt service | <u>427,267</u> |
| | <u>720,291</u> |
| TOTAL COMPONENT UNITS | <u>\$ 2,644,751</u> |

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2003, the County incurred expenditures in the General Fund and eight (8) non-major Special Revenue Funds in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|------------------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| General Government | | | |
| Circuit court | \$ 180,045 | \$ 185,232 | \$ 5,187 |
| Probate court | 674,245 | 676,195 | 1,950 |
| County administrator | 127,681 | 127,725 | 44 |
| Payroll/accounts payable | 75,670 | 76,719 | 1,049 |
| Prosecutor - public defender | 207,768 | 208,168 | 400 |
| Health and Welfare | | | |
| Medical examiner | 65,303 | 68,120 | 2,817 |
| Substance abuse | 50,579 | 51,305 | 726 |
| Other | | | |
| Other | 16,500 | 18,065 | 1,565 |
| Operating transfers to other funds | | | |
| Child care - probate court | 359,500 | 371,525 | 12,025 |
| Soldiers and sailors | 5,500 | 5,850 | 350 |
| Law library | 25,556 | 27,655 | 2,099 |
| Plat book | - | 1,981 | 1,981 |

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|------------------------------------|---------------------------------|-----------------------------|-----------------|
| Special Revenue Funds | | | |
| Ambulance | \$ 20,000 | \$ 21,019 | \$ 1,019 |
| Commission on Aging | 794,841 | 809,687 | 14,846 |
| Mental Health Building Maintenance | - | 25,127 | 25,127 |
| Solid Waste Management Planning | - | 120 | 120 |
| Animal Shelter | - | 120 | 120 |
| Juvenile Day Care Program | 62,740 | 66,205 | 3,465 |
| Economic Development | - | 120 | 120 |
| Soldiers and Sailors | 5,500 | 8,633 | 3,133 |

NOTE R: FUND DEFICITS

The Parks and MSU Grants had fund deficits of \$152,916 and \$4,321, respectively at December 31, 2003.

NOTE S: SUBSEQUENT EVENT

On February 26, 2004 the County issued \$5,190,000 Sanitary Sewer System No. 2 Bonds. These bonds were used to refund the 1997 \$6,300,000 Security Sewer System No. 2 Bonds. Special assessments of users will be used to pay for these bonds.

NOTE T: LEASE RECEIVABLE

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Branch County Drain Commission for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

NOTE U: PRIOR PERIOD ADJUSTMENT

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balances. The effect on operations and other affected balances for the current and prior year are as follows:

| | <u>December 31, 2003</u> | <u>2002</u> | |
|-----------------------------------|------------------------------|-------------|---|
| PRIMARY GOVERNMENT | | | |
| General Fund | | | |
| Due to other governmental units | \$ - | \$ 12,918 | Correct understatement of due to other governmental units |
| Revenue over (under) expenditures | - | (12,918) | |
| Fund balance - beginning | (12,918) | - | |

REQUIRED SUPPLEMENTARY INFORMATION

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Taxes | | | | |
| Current and delinquent property taxes | \$ 4,653,985 | \$ 4,660,889 | \$ 4,660,888 | \$ (1) |
| Tax reverted lands | 100 | - | - | -0- |
| Industrial and commercial facilities tax | 90,000 | 89,267 | 89,267 | -0- |
| Payments in lieu of taxes | - | 2,711 | 2,711 | -0- |
| Mobile home park taxes | 3,900 | 3,363 | 4,031 | 668 |
| Interest and penalties | 300 | 300 | 231 | (69) |
| Real estate transfer tax | 116,000 | 134,120 | 134,120 | -0- |
| Total taxes | 4,864,285 | 4,890,650 | 4,891,248 | 598 |
| Licenses and permits | | | | |
| Dog licenses | 42,500 | 84,268 | 84,268 | -0- |
| Soil erosion permits | 12,000 | 12,000 | 11,975 | (25) |
| Marriage license fees | 1,900 | 1,934 | 1,934 | -0- |
| Gun permits | 3,500 | 3,173 | 3,173 | -0- |
| Transient merchant licenses | 50 | 50 | 50 | -0- |
| Total licenses and permits | 59,950 | 101,425 | 101,400 | (25) |
| Intergovernmental - Federal/State | | | | |
| Cooperative reimbursement - Prosecutor | 65,350 | 72,842 | 70,729 | (2,113) |
| Probate Judge's salary | 94,195 | 101,618 | 101,618 | -0- |
| Judicial salary standardization | 137,248 | 137,172 | 137,172 | -0- |
| Juvenile Director's salary | 28,512 | 27,318 | 27,317 | (1) |
| Court equity | 300,000 | 313,653 | 308,561 | (5,092) |
| Traffic safety program | 92,520 | 77,966 | 92,520 | 14,554 |
| Marine safety program | 25,990 | 25,767 | 25,767 | -0- |
| District Court case flow assistance | 12,500 | 12,561 | 12,440 | (121) |
| Jail operations - Byrne grant | - | - | 1,657 | 1,657 |
| State remonumentation | 39,073 | 40,520 | 24,890 | (15,630) |
| Convention and tourism tax | 97,917 | 101,157 | 102,609 | 1,452 |
| Cigarette tax | 23,831 | 27,536 | 27,536 | -0- |
| State revenue sharing - income tax | 855,000 | 757,965 | 739,247 | (18,718) |
| Single business tax | 94,682 | 91,369 | 91,368 | (1) |
| Liquor license fees | 7,500 | 8,895 | 8,894 | (1) |
| State election reimbursement | 625 | 1,802 | 1,800 | (2) |
| Total intergovernmental - Federal/State | 1,874,943 | 1,798,141 | 1,774,125 | (24,016) |
| Charges for services | | | | |
| District Court costs | 796,675 | 808,469 | 808,471 | 2 |
| District Court services | 305,300 | 307,855 | 307,855 | -0- |
| Circuit Court costs | 42,000 | 44,300 | 44,298 | (2) |

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| Charges for services - continued | | | | |
| Circuit Court services | \$ 12,400 | \$ 17,923 | \$ 17,843 | \$ (80) |
| Probate Court services | 35,500 | 32,111 | 32,110 | (1) |
| Prosecuting Attorney services | 1,450 | 5,653 | 5,603 | (50) |
| Attorney services | 3,000 | 618 | 618 | -0- |
| County Treasurer services | 5,200 | 21,670 | 21,655 | (15) |
| County Clerk services | 75,700 | 75,957 | 75,955 | (2) |
| Register of Deeds services | 206,050 | 299,687 | 299,687 | -0- |
| General services | 18,850 | 38,421 | 38,421 | -0- |
| Sheriff department services | 277,125 | 287,786 | 287,617 | (169) |
| Sheriff department inspection fees | 8,150 | 12,000 | 11,972 | (28) |
| Care of prisoners | 100,000 | 122,529 | 122,528 | (1) |
| Animal shelter services | 5,000 | 7,611 | 7,611 | -0- |
| Equalization services | 18,000 | 18,659 | 18,659 | -0- |
| Other | 1,750 | 931 | 2,397 | 1,466 |
| Total charges for services | 1,912,150 | 2,102,180 | 2,103,300 | 1,120 |
| Fines and forfeits | | | | |
| Ordinance fines and costs | 111,846 | 90,604 | 90,603 | (1) |
| Bond forfeitures | 37,000 | 59,464 | 59,464 | -0- |
| Total fines and forfeits | 148,846 | 150,068 | 150,067 | (1) |
| Interest and rents | | | | |
| Interest on investments | 105,900 | 116,624 | 113,406 | (3,218) |
| Rental fees | 413,405 | 438,986 | 438,168 | (818) |
| Total interest and rents | 519,305 | 555,610 | 551,574 | (4,036) |
| Other | | | | |
| Sale of scrap | 5,000 | 3,590 | 3,590 | -0- |
| Insurance recoveries and refunds | 110,250 | 189,463 | 189,462 | (1) |
| Reimbursements and refunds | | | | |
| General | 47,450 | 38,340 | 52,191 | 13,851 |
| Audit | 14,000 | 12,230 | 12,230 | -0- |
| Maintenance | 37,750 | 35,938 | 43,337 | 7,399 |
| Friend of the Court - Indirect costs | 129,181 | 129,181 | 129,181 | -0- |
| Pay phone commissions | 45,000 | 101,037 | 101,036 | (1) |
| Other | 30,286 | 24,396 | 24,430 | 34 |
| Total other | 418,917 | 534,175 | 555,457 | 21,282 |
| TOTAL REVENUES | 9,798,396 | 10,132,249 | 10,127,171 | (5,078) |

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers from other funds | | | | |
| Tax Administration | \$ 9,200 | \$ 9,200 | \$ 9,200 | \$ -0- |
| Delinquent Tax Revolving | 421,702 | 518,737 | 518,737 | -0- |
| Jail Millage | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> | <u>-0-</u> |
| TOTAL OTHER FINANCING SOURCES | <u>830,902</u> | <u>927,937</u> | <u>927,937</u> | <u>-0-</u> |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | <u>\$10,629,298</u> | <u>\$11,060,186</u> | <u>\$11,055,108</u> | <u>\$ (5,078)</u> |

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------|------------|---|
| | Original | Final | Actual | |
| EXPENDITURES | | | | |
| General government | | | | |
| Board of Commissioners | \$ 106,650 | \$ 103,390 | \$ 101,794 | \$ 1,596 |
| Circuit Court | 187,480 | 180,045 | 185,232 | (5,187) |
| District Court | 898,629 | 900,670 | 892,540 | 8,130 |
| Jury Board | 2,634 | 2,769 | 2,500 | 269 |
| State prisoner trials | 6,500 | 2,051 | 2,011 | 40 |
| Probate Court | 636,640 | 674,245 | 676,195 | (1,950) |
| County administrator | 127,591 | 127,681 | 127,725 | (44) |
| Elections | 24,257 | 1,771 | 1,771 | -0- |
| Computer service | 105,214 | 129,568 | 126,662 | 2,906 |
| Clerk | 284,173 | 264,421 | 260,082 | 4,339 |
| Payroll/accounts payable | 68,786 | 75,670 | 76,719 | (1,049) |
| Microfilm | 13,063 | 12,819 | 12,632 | 187 |
| Equalization | 254,942 | 262,032 | 261,994 | 38 |
| Prosecuting Attorney | 509,323 | 522,913 | 513,676 | 9,237 |
| Prosecutor - public defender | 210,400 | 207,768 | 208,168 | (400) |
| Register of Deeds | 224,938 | 231,727 | 227,682 | 4,045 |
| County survey and remonumentation | 39,073 | 39,408 | 39,048 | 360 |
| Treasurer | 237,813 | 234,452 | 232,655 | 1,797 |
| Cooperative extension | 165,766 | 167,153 | 167,080 | 73 |
| Building and grounds | 493,911 | 487,198 | 481,472 | 5,726 |
| Drain commissioner | 112,986 | 113,465 | 113,068 | 397 |
| General services | 237,801 | 214,948 | 211,393 | 3,555 |
| Total general government | 4,948,570 | 4,956,164 | 4,922,099 | 34,065 |
| Public safety | | | | |
| Sheriff | 1,405,869 | 1,435,241 | 1,405,244 | 29,997 |
| Sheriff reserve | 3,250 | 3,250 | 3,234 | 16 |
| Sheriff posse | 2,000 | 2,000 | 1,591 | 409 |
| Traffic and safety program | 99,851 | 110,296 | 109,674 | 622 |
| Marine safety | 60,443 | 40,762 | 39,636 | 1,126 |
| Jail | 1,774,566 | 1,802,986 | 1,783,721 | 19,265 |
| Animal control | 105,323 | 116,873 | 116,173 | 700 |
| Total public safety | 3,451,302 | 3,511,408 | 3,459,273 | 52,135 |
| Public works | | | | |
| Department of public works | 11,701 | 10,311 | 9,408 | 903 |
| Other | 904 | - | - | -0- |
| Total public works | 12,605 | 10,311 | 9,408 | 903 |

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|----------|----------|---|
| | Original | Final | Actual | |
| EXPENDITURES - CONTINUED | | | | |
| Community and economic development | | | | |
| Planning commission | \$ 6,524 | \$ 1,809 | \$ 1,727 | \$ 82 |
| Health and welfare | | | | |
| Medical examiner | 22,000 | 65,303 | 68,120 | (2,817) |
| Veterans counselors | 28,739 | 27,504 | 25,068 | 2,436 |
| Substance abuse | 48,959 | 50,579 | 51,305 | (726) |
| Pines Behavioral Health Services | 180,000 | 180,000 | 180,000 | -0- |
| Other | 57,420 | 59,938 | 59,938 | -0- |
| Total health and welfare | 337,118 | 383,324 | 384,431 | (1,107) |
| Recreation and cultural | | | | |
| Fair/4-H premiums | 2,000 | 2,000 | 2,000 | -0- |
| Other | | | | |
| Fringe benefits | | | | |
| Workers' compensation insurance | 125,000 | 121,240 | 121,240 | -0- |
| Insurance | 240,000 | 252,605 | 252,605 | -0- |
| Professional services | 114,000 | 138,340 | 137,966 | 374 |
| Other | 20,000 | 16,500 | 18,065 | (1,565) |
| Total other | 499,000 | 528,685 | 529,876 | (1,191) |

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|---------------|---|
| | Original | Final | Actual | |
| OTHER FINANCING USES | | | | |
| Operating transfers to other funds | | | | |
| Family Independence Agency | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ -0- |
| Family Independence Agency - Debt | 195,494 | 195,569 | 195,569 | -0- |
| Child Care - Probate Court | 359,500 | 359,500 | 371,525 | (12,025) |
| Child Care - F.I.A. | 25,000 | 65,000 | 65,000 | -0- |
| Soldiers and Sailors | 5,500 | 5,500 | 5,850 | (350) |
| County Surveyor | 4,000 | 4,000 | 4,000 | -0- |
| Airport | 67,500 | 67,500 | 67,500 | -0- |
| Emergency Services | 39,675 | 39,675 | 39,675 | -0- |
| Housing Commission | - | 3,102 | 3,102 | -0- |
| Friend of the Court | 84,975 | 84,975 | 84,975 | -0- |
| Law Library | 10,000 | 25,556 | 27,655 | (2,099) |
| Building Authority | 136,198 | 133,048 | 133,045 | 3 |
| Building Authority - Human Services | 97,688 | 97,553 | 97,550 | 3 |
| Victims' Rights | 100,000 | 5,169 | 5,169 | -0- |
| Building Authority - Refunding 2002 | 126,068 | 126,206 | 126,205 | 1 |
| Plat Book | - | - | 1,981 | (1,981) |
| Operating transfers to component units | | | | |
| Regular Drain | 43,479 | 43,479 | 43,479 | -0- |
| District Health Department | 257,100 | 257,100 | 257,100 | -0- |
| Road Commission | 25,000 | 25,000 | 25,000 | -0- |
| TOTAL OTHER FINANCING USES | 1,592,177 | 1,552,932 | 1,569,380 | (16,448) |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 10,849,296 | \$ 10,946,633 | \$ 10,878,194 | \$ 68,439 |

Branch County, Michigan
Emergency Services Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2003

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | \$ 715,650 | \$ 715,650 | \$ 733,072 | \$ 17,422 |
| Intergovernmental - Federal/State | 29,575 | 29,575 | 119,470 | 89,895 |
| Charges for services | 196,900 | 196,900 | 225,613 | 28,713 |
| Interest and rents | 15,000 | 15,000 | 6,584 | (8,416) |
| Other | | | | |
| Reimbursements | - | - | 2,555 | 2,555 |
| TOTAL REVENUES | 957,125 | 957,125 | 1,087,294 | 130,169 |
| EXPENDITURES | | | | |
| Current | | | | |
| Health and welfare | 850,666 | 850,666 | 770,625 | 80,041 |
| Capital Outlay | 428,527 | 428,527 | 250,343 | 178,184 |
| TOTAL EXPENDITURES | 1,279,193 | 1,279,193 | 1,020,968 | 258,225 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (322,068) | (322,068) | 66,326 | 388,394 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | 39,675 | 39,675 | 39,675 | -0- |
| Residual equity transfer in | - | - | 576 | 576 |
| TOTAL OTHER FINANCING SOURCES | 39,675 | 39,675 | 40,251 | 576 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | (282,393) | (282,393) | 106,577 | 388,970 |
| Fund balance, beginning of year | 568,980 | 568,980 | 568,980 | -0- |
| Fund balance, end of year | \$ 286,587 | \$ 286,587 | \$ 675,557 | \$ 388,970 |

Branch County, Michigan
Non-major Governmental Funds
COMBINING BALANCE SHEET
December 31, 2003

| | Special | | |
|---|------------------------|-----------------------|------------------|
| | Marriage Counseling | Sheriff's Training | Parks |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,123 | \$ 4,235 | \$ 6,904 |
| Investments | - | - | - |
| Accounts receivable | - | - | - |
| Taxes receivable | - | - | - |
| Loans receivable | - | - | - |
| Inventories | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | - | - |
| TOTAL ASSETS | \$ 1,123 | \$ 4,235 | \$ 6,904 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 352 | \$ - | \$ 2,260 |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Due to other funds | - | - | 157,560 |
| Advances from other funds | - | - | - |
| Advance from State | - | - | - |
| Deferred revenue | - | - | - |
| TOTAL LIABILITIES | 352 | -0- | 159,820 |
| FUND BALANCES (DEFICITS) | | | |
| Reserved for: | | | |
| Inventories | - | - | - |
| Grant expenditures | - | - | - |
| Clock tower expenditures | - | - | - |
| Unreserved | | | |
| Designated for debt service | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | 771 | 4,235 | (152,916) |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 771 | 4,235 | (152,916) |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 1,123 | \$ 4,235 | \$ 6,904 |

Revenue

| Park Grant - Memorial | Ambulance | Friend of the Court | Tax Administration | Commission on Aging | Mental Health Building Maintenance |
|--------------------------|---------------|------------------------|-----------------------|------------------------|--|
| \$ (5,403) | \$ - | \$ (98,516) | \$ 125,356 | \$ 75,064 | \$ 18,364 |
| - | - | - | - | 7,164 | - |
| - | - | - | - | 10,716 | - |
| - | - | - | - | 736,881 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 157,560 | - | - | - | 5,199 | - |
| - | - | 202,397 | - | - | - |
| <u>\$ 152,157</u> | <u>\$ -0-</u> | <u>\$ 103,881</u> | <u>\$ 125,356</u> | <u>\$ 835,024</u> | <u>\$ 18,364</u> |
| | | | | | |
| \$ - | \$ - | \$ 5,251 | \$ - | \$ 3,007 | \$ 77 |
| - | - | 16,215 | - | 16,076 | - |
| - | - | 1,239 | - | 1,230 | - |
| - | - | 33,677 | - | - | - |
| 150,000 | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,157 | - | - | - | 736,881 | - |
| | | | | | |
| 152,157 | -0- | 56,382 | -0- | 757,194 | 77 |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 47,499 | 125,356 | 77,830 | 18,287 |
| - | - | - | - | - | - |
| | | | | | |
| -0- | -0- | 47,499 | 125,356 | 77,830 | 18,287 |
| | | | | | |
| <u>\$ 152,157</u> | <u>\$ -0-</u> | <u>\$ 103,881</u> | <u>\$ 125,356</u> | <u>\$ 835,024</u> | <u>\$ 18,364</u> |

Branch County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

| | Special | | |
|---|---------------------------------------|---------------|-------------------|
| | Solid Waste Management Planning | Plat Books | Jail Millage |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,068 | \$ (4,330) | \$ 123,366 |
| Investments | - | - | - |
| Accounts receivable | - | 12 | - |
| Taxes receivable | - | - | 505,774 |
| Loans receivable | - | - | - |
| Inventories | - | 4,318 | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | - | - |
| TOTAL ASSETS | <u>\$ 3,068</u> | <u>\$ -0-</u> | <u>\$ 629,140</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Advances from other funds | - | - | - |
| Advance from State | - | - | - |
| Deferred revenue | - | - | 505,774 |
| TOTAL LIABILITIES | -0- | -0- | 505,774 |
| FUND BALANCES (DEFICITS) | | | |
| Reserved for: | | | |
| Inventories | - | 4,318 | - |
| Grant expenditures | - | - | - |
| Clock tower expenditures | - | - | - |
| Unreserved | | | |
| Designated for debt service | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | 3,068 | (4,318) | 123,366 |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>3,068</u> | <u>-0-</u> | <u>123,366</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 3,068</u> | <u>\$ -0-</u> | <u>\$ 629,140</u> |

| Revenue | | | | | |
|-------------------|---------------------------------|---------------------------------------|--|-----------------|-------------------------|
| Animal Shelter | Juvenile Day Care Program | Sheriff's Special Investigation | Prosecutor's Special Investigation | Law Library | Economic Development |
| \$ 1,393 | \$ 3,715 | \$ 14,719 | \$ 53,582 | \$ 1,397 | \$ 3,254 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 5,790 | - | - | - | - |
| <u>\$ 1,393</u> | <u>\$ 9,505</u> | <u>\$ 14,719</u> | <u>\$ 53,582</u> | <u>\$ 1,397</u> | <u>\$ 3,254</u> |
| \$ - | \$ 1,026 | \$ 536 | \$ 256 | \$ 1,397 | \$ - |
| - | 5,157 | - | - | - | - |
| - | 395 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| -0- | 6,578 | 536 | 256 | 1,397 | -0- |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,393 | 2,927 | 14,183 | 53,326 | - | 3,254 |
| - | - | - | - | - | - |
| <u>1,393</u> | <u>2,927</u> | <u>14,183</u> | <u>53,326</u> | <u>-0-</u> | <u>3,254</u> |
| <u>\$ 1,393</u> | <u>\$ 9,505</u> | <u>\$ 14,719</u> | <u>\$ 53,582</u> | <u>\$ 1,397</u> | <u>\$ 3,254</u> |

Branch County, Michigan
Non-major Governmental Funds
COMBINING BALANCE SHEET - CONTINUED
December 31, 2003

| | | Special | |
|---|-----------------------|------------------|----------------------------------|
| | Housing Commission | F.I.A. | Child Care - Probate Court |
| ASSETS | | | |
| Cash and cash equivalents | \$ 23,173 | \$ 49,633 | \$ 101 |
| Investments | - | - | - |
| Accounts receivable | - | - | - |
| Taxes receivable | - | - | - |
| Loans receivable | 27,641 | - | - |
| Inventories | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | 17,680 | 44,088 |
| TOTAL ASSETS | \$ 50,814 | \$ 67,313 | \$ 44,189 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 100 | \$ - | \$ 37,821 |
| Accrued payroll | 1,201 | - | 5,915 |
| Other accrued liabilities | 92 | - | 453 |
| Due to other funds | - | - | - |
| Advances from other funds | - | - | - |
| Advance from State | 18,422 | 67,000 | - |
| Deferred revenue | 27,641 | - | - |
| TOTAL LIABILITIES | 47,456 | 67,000 | 44,189 |
| FUND BALANCES (DEFICITS) | | | |
| Reserved for: | | | |
| Inventories | - | - | - |
| Grant expenditures | 3,358 | - | - |
| Clock tower expenditures | - | - | - |
| Unreserved | | | |
| Designated for debt service | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | - | 313 | - |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 3,358 | 313 | -0- |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 50,814 | \$ 67,313 | \$ 44,189 |

| Revenue | | | | | |
|---------------------|------------------------|--------------------|--------------------|-------------------------|--------------------|
| Child Care - FIA | Building Inspection | County Surveyor | Veterans' Trust | Soldiers and Sailors | Victims' Rights |
| \$ 10,750 | \$ 60,617 | \$ 286 | \$ 435 | \$ 671 | \$ 4,444 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 9,371 | - | - | - | - | - |
| <u>\$ 20,121</u> | <u>\$ 60,617</u> | <u>\$ 286</u> | <u>\$ 435</u> | <u>\$ 671</u> | <u>\$ 4,444</u> |
| \$ - | \$ 1,126 | \$ - | \$ 75 | \$ 671 | \$ 44 |
| - | 9,504 | - | - | - | 1,281 |
| - | 727 | - | - | - | 98 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| -0- | 11,357 | -0- | 75 | 671 | 1,423 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 20,121 | 49,260 | 286 | 360 | - | 3,021 |
| - | - | - | - | - | - |
| <u>20,121</u> | <u>49,260</u> | <u>286</u> | <u>360</u> | <u>-0-</u> | <u>3,021</u> |
| <u>\$ 20,121</u> | <u>\$ 60,617</u> | <u>\$ 286</u> | <u>\$ 435</u> | <u>\$ 671</u> | <u>\$ 4,444</u> |

Branch County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

| | Special | | |
|---|-----------------|------------------|------------------------------------|
| | MSU Grants | Airport | Commission on Aging Facility |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,499 | \$ 73,287 | \$ 97,749 |
| Investments | - | - | 592 |
| Accounts receivable | - | - | - |
| Taxes receivable | - | - | - |
| Loans receivable | - | - | - |
| Inventories | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | - | - |
| TOTAL ASSETS | \$ 1,499 | \$ 73,287 | \$ 98,341 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 5,820 | \$ 2,955 | \$ - |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Due to other funds | - | - | 5,199 |
| Advances from other funds | - | - | - |
| Advance from State | - | - | - |
| Deferred revenue | - | - | - |
| TOTAL LIABILITIES | 5,820 | 2,955 | 5,199 |
| FUND BALANCES (DEFICITS) | | | |
| Reserved for: | | | |
| Inventories | - | - | - |
| Grant expenditures | - | - | - |
| Clock tower expenditures | - | - | - |
| Unreserved | | | |
| Designated for debt service | - | - | 60,000 |
| Undesignated, reported in: | | | |
| Special revenue funds | (4,321) | 70,332 | 33,142 |
| Capital projects funds | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | (4,321) | 70,332 | 93,142 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 1,499 | \$ 73,287 | \$ 98,341 |

| Revenue | | Debt Service | | | |
|-------------|------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------------|
| Clock Tower | Register of Deeds Automation | Building Authority - COA | Building Authority - FIA | Building Authority - Hospital | Building Authority - Human Services |
| \$ 6,749 | \$ 51,866 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| \$ 6,749 | \$ 51,866 | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| -0- | -0- | -0- | -0- | -0- | -0- |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 6,749 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 51,866 | - | - | - | - |
| - | - | - | - | - | - |
| 6,749 | 51,866 | -0- | -0- | -0- | -0- |
| \$ 6,749 | \$ 51,866 | \$ -0- | \$ -0- | \$ -0- | \$ -0- |

Branch County, Michigan
Non-major Governmental Funds
COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

| | Debt Service | | Capital Projects |
|--|---------------------------------------|--------------------------------------|-------------------------------------|
| | Building Authority - Courthouse | Building Authority - Refunding | Courthouse Renovation Project |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 202,567 |
| Investments | - | - | - |
| Accounts receivable | - | - | - |
| Taxes receivable | - | - | - |
| Loans receivable | - | - | - |
| Inventories | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental units - Federal/State | - | - | - |
| TOTAL ASSETS | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 202,567</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 59,333 |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| Advances from other funds | - | - | - |
| Advance from State | - | - | - |
| Deferred revenue | - | - | - |
| TOTAL LIABILITIES | -0- | -0- | 59,333 |
| FUND BALANCES (DEFICITS) | | | |
| Reserved for: | | | |
| Inventories | - | - | - |
| Grant expenditures | - | - | - |
| Clock tower expenditures | - | - | - |
| Unreserved | | | |
| Designated for debt service | - | - | - |
| Undesignated, reported in: | | | |
| Special revenue funds | - | - | - |
| Capital projects funds | - | - | 143,234 |
| TOTAL FUND BALANCES (DEFICITS) | <u>-0-</u> | <u>-0-</u> | <u>143,234</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 202,567</u> |

Total
Non-major
Governmental
Funds

| | |
|----|-----------------------|
| \$ | 911,118 |
| | 7,756 |
| | 10,728 |
| | 1,242,655 |
| | 27,641 |
| | 4,318 |
| | 162,759 |
| | <hr/> 279,326 |
| \$ | <hr/> <hr/> 2,646,301 |

| | |
|----|-----------------|
| \$ | 122,107 |
| | 55,349 |
| | 4,234 |
| | 196,436 |
| | 150,000 |
| | 85,422 |
| | <hr/> 1,272,453 |
| | 1,886,001 |

| | |
|----|-----------------------|
| | 4,318 |
| | 3,358 |
| | 6,749 |
| | 60,000 |
| | 542,641 |
| | <hr/> 143,234 |
| | <hr/> 760,300 |
| \$ | <hr/> <hr/> 2,646,301 |

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

| | Special | | |
|--|------------------------|-----------------------|--------------|
| | Marriage Counseling | Sheriff's Training | Parks |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | 4,965 | - | - |
| Intergovernmental - | | | |
| Local | - | - | - |
| Federal/State | - | 4,775 | - |
| Charges for services | - | - | 277,817 |
| Fines and forfeits | - | - | - |
| Interest and rents | - | - | - |
| Other | - | - | - |
| TOTAL REVENUES | 4,965 | 4,775 | 277,817 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 5,382 | - | - |
| Public safety | - | 540 | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | 131,800 |
| Capital outlay | - | - | 14,695 |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 5,382 | 540 | 146,495 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (417) | 4,235 | 131,322 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | - | - | (82,435) |
| Residual equity transfer out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | -0- | (82,435) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (417) | 4,235 | 48,887 |
| Fund balances (deficits), beginning of year | 1,188 | - | (201,803) |
| Fund balances (deficits), end of year | \$ 771 | \$ 4,235 | \$ (152,916) |

| Revenue | | | | | |
|--------------------------|-----------|------------------------|-----------------------|------------------------|--|
| Park Grant - Memorial | Ambulance | Friend of the Court | Tax Administration | Commission on Aging | Mental Health Building Maintenance |
| \$ - | \$ - | \$ - | \$ 18,189 | \$ 464,589 | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 518,999 | - | 109,724 | - |
| - | - | 60,947 | - | 202,642 | 36,000 |
| - | - | - | - | - | - |
| - | - | 668 | - | 16,013 | - |
| - | 47 | 8,976 | - | 6,231 | - |
| -0- | 47 | 589,590 | 18,189 | 799,199 | 36,000 |
| - | - | 776,474 | 372 | - | 25,127 |
| - | - | - | - | - | - |
| - | 20,443 | - | - | 793,970 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 1,862 | - | 15,717 | - |
| - | - | - | - | - | - |
| -0- | 20,443 | 778,336 | 372 | 809,687 | 25,127 |
| -0- | (20,396) | (188,746) | 17,817 | (10,488) | 10,873 |
| 82,435 | - | 84,975 | - | 58,622 | - |
| - | - | - | (9,200) | - | - |
| - | (576) | - | - | - | - |
| 82,435 | (576) | 84,975 | (9,200) | 58,622 | -0- |
| 82,435 | (20,972) | (103,771) | 8,617 | 48,134 | 10,873 |
| (82,435) | 20,972 | 151,270 | 116,739 | 29,696 | 7,414 |
| \$ -0- | \$ -0- | \$ 47,499 | \$ 125,356 | \$ 77,830 | \$ 18,287 |

Branch County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

| | Special | | |
|--|---------------------------------------|---------------|-----------------|
| | Solid Waste Management Planning | Plat Books | Jail Millage |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ 515,066 |
| Licenses and permits | - | - | - |
| Intergovernmental - | | | |
| Local | - | - | - |
| Federal/State | - | - | 16,056 |
| Charges for services | - | 3,218 | - |
| Fines and forfeits | - | - | - |
| Interest and rents | - | - | 3,911 |
| Other | - | - | - |
| | | | |
| TOTAL REVENUES | -0- | 3,218 | 535,033 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | 6,387 | - |
| Public safety | - | - | 1,319 |
| Health and welfare | 120 | - | - |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | - | 13,455 |
| Debt service | - | - | - |
| | | | |
| TOTAL EXPENDITURES | 120 | 6,387 | 14,774 |
| | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (120) | (3,169) | 520,259 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 1,981 | - |
| Operating transfers out | - | - | (400,000) |
| Residual equity transfer out | - | - | - |
| | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | 1,981 | (400,000) |
| | | | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (120) | (1,188) | 120,259 |
| | | | |
| Fund balances (deficits), beginning of year | 3,188 | 1,188 | 3,107 |
| | | | |
| Fund balances (deficits), end of year | \$ 3,068 | \$ -0- | \$ 123,366 |

| Revenue | | | | | |
|-------------------|---------------------------------|---------------------------------------|--|----------------|-------------------------|
| Animal Shelter | Juvenile Day Care Program | Sheriff's Special Investigation | Prosecutor's Special Investigation | Law Library | Economic Development |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 60,681 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 4,662 | 20,755 | 4,500 | - |
| - | - | 177 | 418 | - | - |
| 87 | 555 | 3,000 | 2,000 | 56 | - |
| 87 | 61,236 | 7,839 | 23,173 | 4,556 | -0- |
| - | - | - | - | 24,762 | - |
| 120 | - | 5,724 | 16,440 | - | - |
| - | 66,205 | - | - | - | - |
| - | - | - | - | - | 120 |
| - | - | - | - | - | - |
| - | - | 13,198 | 2,552 | - | - |
| - | - | - | - | - | - |
| 120 | 66,205 | 18,922 | 18,992 | 24,762 | 120 |
| (33) | (4,969) | (11,083) | 4,181 | (20,206) | (120) |
| - | - | - | - | 27,655 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| -0- | -0- | -0- | -0- | 27,655 | -0- |
| (33) | (4,969) | (11,083) | 4,181 | 7,449 | (120) |
| 1,426 | 7,896 | 25,266 | 49,145 | (7,449) | 3,374 |
| \$ 1,393 | \$ 2,927 | \$ 14,183 | \$ 53,326 | \$ -0- | \$ 3,254 |

Branch County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

| | Special | | |
|--|-----------------------|----------|----------------------------------|
| | Housing Commission | F.I.A. | Child Care - Probate Court |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - | | | |
| Local | - | - | - |
| Federal/State | 165,441 | 288,298 | 222,090 |
| Charges for services | 3,475 | - | - |
| Fines and forfeits | - | - | - |
| Interest and rents | 8 | - | - |
| Other | 16,349 | 17,399 | 14,633 |
| TOTAL REVENUES | 185,273 | 305,697 | 236,723 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Health and welfare | 202,724 | 327,754 | 639,572 |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 202,724 | 327,754 | 639,572 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (17,451) | (22,057) | (402,849) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 3,102 | 15,000 | 371,525 |
| Operating transfers out | - | - | - |
| Residual equity transfer out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,102 | 15,000 | 371,525 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (14,349) | (7,057) | (31,324) |
| Fund balances (deficits), beginning of year | 17,707 | 7,370 | 31,324 |
| Fund balances (deficits), end of year | \$ 3,358 | \$ 313 | \$ -0- |

| Revenue | | | | | |
|---------------------|------------------------|--------------------|--------------------|-------------------------|--------------------|
| Child Care - FIA | Building Inspection | County Surveyor | Veterans' Trust | Soldiers and Sailors | Victims' Rights |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 352,848 | - | - | - | - |
| - | - | - | - | - | - |
| 48,154 | - | - | 3,840 | - | 42,959 |
| - | 200 | - | - | - | - |
| - | 24 | - | - | - | - |
| - | - | - | - | - | - |
| 16,478 | 770 | - | 1,050 | 2,442 | 404 |
| 64,632 | 353,842 | -0- | 4,890 | 2,442 | 43,363 |
| - | - | 3,976 | - | - | - |
| - | 333,909 | - | - | - | - |
| 124,693 | - | - | 5,471 | 8,633 | 40,342 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 124,693 | 333,909 | 3,976 | 5,471 | 8,633 | 40,342 |
| (60,061) | 19,933 | (3,976) | (581) | (6,191) | 3,021 |
| 65,000 | - | 4,000 | - | 5,850 | 5,169 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 65,000 | -0- | 4,000 | -0- | 5,850 | 5,169 |
| 4,939 | 19,933 | 24 | (581) | (341) | 8,190 |
| 15,182 | 29,327 | 262 | 941 | 341 | (5,169) |
| \$ 20,121 | \$ 49,260 | \$ 286 | \$ 360 | \$ -0- | \$ 3,021 |

Branch County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

| | Special | | |
|--|---------------|-----------|------------------------------------|
| | MSU Grants | Airport | Commission on Aging Facility |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ 241,790 |
| Licenses and permits | - | - | - |
| Intergovernmental - | | | |
| Local | - | - | - |
| Federal/State | 78,437 | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and rents | - | 44,060 | 1,729 |
| Other | - | 87 | - |
| TOTAL REVENUES | 78,437 | 44,147 | 243,519 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 84,372 | 67,517 | - |
| Public safety | - | - | - |
| Health and welfare | - | - | 764 |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | 2,455 | 16,516 | 10,770 |
| Debt service | - | - | - |
| TOTAL EXPENDITURES | 86,827 | 84,033 | 11,534 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (8,390) | (39,886) | 231,985 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 67,500 | - |
| Operating transfers out | - | - | (139,427) |
| Residual equity transfer out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | -0- | 67,500 | (139,427) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (8,390) | 27,614 | 92,558 |
| Fund balances (deficits), beginning of year | 4,069 | 42,718 | 584 |
| Fund balances (deficits), end of year | \$ (4,321) | \$ 70,332 | \$ 93,142 |

| Revenue | | Debt Service | | | |
|-------------|------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------------|
| Clock Tower | Register of Deeds Automation | Building Authority - COA | Building Authority - FIA | Building Authority - Hospital | Building Authority - Human Services |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | 372,734 | - |
| - | - | - | - | - | - |
| - | 51,690 | - | - | - | - |
| - | - | - | - | - | - |
| 43 | 176 | - | - | - | - |
| - | - | - | - | - | - |
| 43 | 51,866 | -0- | -0- | 372,734 | -0- |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 80,805 | 195,569 | 372,734 | 97,550 |
| -0- | -0- | 80,805 | 195,569 | 372,734 | 97,550 |
| 43 | 51,866 | (80,805) | (195,569) | -0- | (97,550) |
| - | - | 80,805 | 195,569 | - | 97,550 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| -0- | -0- | 80,805 | 195,569 | -0- | 97,550 |
| 43 | 51,866 | -0- | -0- | -0- | -0- |
| 6,706 | - | - | - | - | - |
| \$ 6,749 | \$ 51,866 | \$ -0- | \$ -0- | \$ -0- | \$ -0- |

Branch County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

| | Debt Service | | Capital Projects |
|--|---------------------------------------|--------------------------------------|-------------------------------------|
| | Building Authority - Courthouse | Building Authority - Refunding | Courthouse Renovation Project |
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - |
| Intergovernmental - | | | |
| Local | - | 167,167 | - |
| Federal/State | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeits | - | - | - |
| Interest and rents | 10 | - | 14,337 |
| Other | - | - | - |
| TOTAL REVENUES | 10 | 167,167 | 14,337 |
| EXPENDITURES | | | |
| Current | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Health and welfare | - | - | - |
| Community and economic development | - | - | - |
| Recreation and cultural | - | - | - |
| Capital outlay | - | - | 974,037 |
| Debt service | 136,060 | 293,372 | - |
| TOTAL EXPENDITURES | 136,060 | 293,372 | 974,037 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (136,050) | (126,205) | (959,700) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 133,045 | 126,205 | - |
| Operating transfers out | - | - | - |
| Residual equity transfer out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 133,045 | 126,205 | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (3,005) | -0- | (959,700) |
| Fund balances (deficits), beginning of year | 3,005 | - | 1,102,934 |
| Fund balances (deficits), end of year | \$ -0- | \$ -0- | \$ 143,234 |

Total
Non-major
Governmental
Funds

\$ 1,239,634
357,813

539,901
1,559,454
635,989
29,941
81,550
90,564

4,534,846

994,369
358,052
2,230,691
120
131,800
1,065,257
1,176,090

5,956,379

(1,421,533)

1,425,988
(631,062)
(576)

794,350

(627,183)

1,387,483

\$ 760,300

Branch County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2003

| | Trust and Agency | Library | Total |
|---------------------------------|---------------------|------------------|---------------------|
| ASSETS | | | |
| Cash | <u>\$ 1,551,484</u> | <u>\$ 25,332</u> | <u>\$ 1,576,816</u> |
| LIABILITIES | | | |
| Undistributed collections | \$ 980,671 | \$ - | \$ 980,671 |
| Defendant bonds payable | 327,770 | - | 327,770 |
| Due to other governmental units | | | |
| Federal/State | 153,803 | - | 153,803 |
| Local | 4,752 | 25,332 | 30,084 |
| Due to individuals and agencies | 81,502 | - | 81,502 |
| Advances from other funds | <u>2,986</u> | <u>-</u> | <u>2,986</u> |
| TOTAL LIABILITIES | <u>\$ 1,551,484</u> | <u>\$ 25,332</u> | <u>\$ 1,576,816</u> |

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2003

| | Debt Service | | |
|--|-------------------|------------------|-------------------------|
| | Regular Drain | Lake Level | Marble Lake Level |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Special assessments receivable | 573,471 | - | 335 |
| Inventories | - | - | - |
| Due from other funds - primary government | - | - | - |
| Due from other funds | 95,779 | 30,000 | - |
| TOTAL ASSETS | <u>\$ 669,250</u> | <u>\$ 30,000</u> | <u>\$ 335</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - |
| Deferred revenue | 369,250 | - | - |
| Advances from primary government | - | - | - |
| Notes payable | - | - | - |
| TOTAL LIABILITIES | 369,250 | -0- | -0- |
| FUND BALANCES | | | |
| Fund balances | | | |
| Reserved for debt service | 300,000 | 30,000 | 335 |
| Reserved for inventories | - | - | - |
| Unreserved | | | |
| Designated for capital expenditures | - | - | - |
| TOTAL FUND BALANCES | <u>300,000</u> | <u>30,000</u> | <u>335</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 669,250</u> | <u>\$ 30,000</u> | <u>\$ 335</u> |

Capital Projects

| Regular Drain | Drain Revolving | Lake Level | Lake Level Revolving | Total |
|-------------------|--------------------|-------------------|----------------------------|---------------------|
| \$ 451,239 | \$ 26,865 | \$ 102,192 | \$ 7,531 | \$ 587,827 |
| 80,779 | - | - | - | 654,585 |
| 16,925 | - | - | - | 16,925 |
| 4,138 | - | - | - | 4,138 |
| - | 75,617 | 345 | 1,569 | 203,310 |
| <u>\$ 553,081</u> | <u>\$ 102,482</u> | <u>\$ 102,537</u> | <u>\$ 9,100</u> | <u>\$ 1,466,785</u> |
| | | | | |
| \$ - | \$ 2,482 | \$ 385 | \$ 100 | \$ 2,967 |
| 171,741 | - | 31,569 | - | 203,310 |
| - | - | - | - | 369,250 |
| - | 100,000 | - | 9,000 | 109,000 |
| 56,250 | - | - | - | 56,250 |
| | | | | |
| 227,991 | 102,482 | 31,954 | 9,100 | 740,777 |
| | | | | |
| - | - | - | - | 330,335 |
| 16,925 | - | - | - | 16,925 |
| | | | | |
| 308,165 | - | 70,583 | - | 378,748 |
| | | | | |
| 325,090 | -0- | 70,583 | -0- | 726,008 |
| | | | | |
| <u>\$ 553,081</u> | <u>\$ 102,482</u> | <u>\$ 102,537</u> | <u>\$ 9,100</u> | <u>\$ 1,466,785</u> |

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2003

Total fund balances - governmental funds **\$ 726,008**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

| | | |
|-------------------------------|--------------------|-----------|
| The cost of capital assets is | \$ 3,509,665 | |
| Accumulated depreciation is | <u>(1,702,170)</u> | |
| Capital assets, net | | 1,807,495 |

Long-term receivables are not available to pay for current period
expenditures and therefore deferred in the funds. These consist of:

| | | |
|------------------|--|---------|
| Deferred revenue | | 369,250 |
|------------------|--|---------|

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

| | | |
|--------------------------|---------------|------------------|
| Notes payable | 369,250 | |
| Accrued interest payable | <u>13,011</u> | |
| | | <u>(382,261)</u> |

Net assets of governmental activities **\$ 2,520,492**

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

| | Debt Service | | |
|--|------------------|---------------|-------------------------|
| | Regular Drain | Lake Level | Marble Lake Level |
| REVENUES | | | |
| Interest | \$ - | \$ - | \$ - |
| Other | | | |
| Special assessments | 161,231 | 26,145 | - |
| Miscellaneous | - | - | - |
| TOTAL REVENUES | 161,231 | 26,145 | -0- |
| EXPENDITURES | | | |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal | 149,700 | 25,000 | - |
| Interest and fiscal charges | 11,531 | 1,145 | - |
| TOTAL EXPENDITURES | 161,231 | 26,145 | -0- |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | -0- | -0- | -0- |
| OTHER FINANCING SOURCES | | | |
| Transfer in | - | - | - |
| Long-term note proceeds | - | - | - |
| TOTAL OTHER FINANCING SOURCES | -0- | -0- | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | -0- | -0- | -0- |
| Fund balances, beginning of year | 300,000 | 30,000 | 335 |
| Fund balances, end of year | \$ 300,000 | \$ 30,000 | \$ 335 |

| Capital Projects | | | | |
|------------------|--------------------|---------------|----------------------------|------------|
| Regular Drain | Drain Revolving | Lake Level | Lake Level Revolving | Total |
| \$ 5,836 | \$ - | \$ 700 | \$ - | \$ 6,536 |
| 231,091 | - | - | - | 418,467 |
| 15,591 | - | 700 | - | 16,291 |
| 252,518 | -0- | 1,400 | -0- | 441,294 |
| 386,251 | - | 2,362 | - | 388,613 |
| - | - | - | - | 174,700 |
| 653 | - | - | - | 13,329 |
| 386,904 | -0- | 2,362 | -0- | 576,642 |
| (134,386) | -0- | (962) | -0- | (135,348) |
| 43,479 | - | - | - | 43,479 |
| 56,750 | - | - | - | 56,750 |
| 100,229 | -0- | -0- | -0- | 100,229 |
| (34,157) | -0- | (962) | -0- | (35,119) |
| 359,247 | - | 71,545 | - | 761,127 |
| \$ 325,090 | \$ -0- | \$ 70,583 | \$ -0- | \$ 726,008 |

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

Net change in fund balances - total governmental funds \$ (35,119)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|------------------|---------|
| Capital outlay | \$ 388,613 | |
| Depreciation expense | <u>(160,319)</u> | |
| Excess of capital outlay over depreciation expense | | 228,294 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

| | |
|----------------------------|----------|
| Change in deferred revenue | (65,550) |
|----------------------------|----------|

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

| | | |
|---------------------------|----------------|---------|
| Long-term debt proceeds | \$ (56,750) | |
| Note principal retirement | <u>174,700</u> | |
| | | 117,950 |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | |
|------------------------------------|------------|
| Change in accrued interest payable | <u>310</u> |
|------------------------------------|------------|

| | |
|--|--------------------------|
| Change in net assets of governmental activities | <u><u>\$ 245,885</u></u> |
|--|--------------------------|

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2003

| | Special Revenue | Debt Service | |
|--|-----------------------|----------------------------------|--|
| | Water and Sewer | Coldwater/ Long Lake Sewer | Coldwater/ Long Lake Sewer Supplemental |
| ASSETS | | | |
| Cash and cash equivalents | \$ 56,288 | \$ 39,979 | \$ 15,549 |
| Investments | - | - | - |
| Special assessments | - | 5,606,624 | 1,118,943 |
| Capital assets, net of accumulated depreciation | - | - | - |
| TOTAL ASSETS | \$ 56,288 | \$ 5,646,603 | \$ 1,134,492 |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - |
| Other accrued liabilities | - | - | - |
| Deferred revenue | - | 5,259,304 | 1,024,593 |
| Advances from primary government | - | - | - |
| TOTAL LIABILITIES | -0- | 5,259,304 | 1,024,593 |
| FUND EQUITY | | | |
| Net assets | | | |
| Reserved for asset replacement | - | - | - |
| Unreserved | - | - | - |
| Fund balances | | | |
| Reserved for debt service | - | 387,299 | 109,899 |
| Unreserved | | | |
| Designated for capital expenditures | 28,950 | - | - |
| Undesignated, reported in special revenue funds | 27,338 | - | - |
| TOTAL FUND EQUITY | 56,288 | 387,299 | 109,899 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 56,288 | \$ 5,646,603 | \$ 1,134,492 |

| Capital Projects | Enterprise | | | Internal Service | |
|---------------------|---------------------|-------------------------------------|----------------------------|---------------------|----------------------|
| Lake Maintenance | Sewer | DPW Operation and Maintenance | Ovid Treatment Plant | BPW Revolving | Total |
| \$ 9,048 | \$ 258,100 | \$ 115,497 | \$ 92,491 | \$ 45,923 | \$ 632,875 |
| 181,218 | - | - | - | - | 181,218 |
| - | - | - | - | - | 6,725,567 |
| - | 2,729,637 | - | 10,851,565 | - | 13,581,202 |
| <u>\$ 190,266</u> | <u>\$ 2,987,737</u> | <u>\$ 115,497</u> | <u>\$ 10,944,056</u> | <u>\$ 45,923</u> | <u>\$ 21,120,862</u> |
| | | | | | |
| \$ - | \$ - | \$ 3,824 | \$ 541 | \$ - | \$ 4,365 |
| - | - | 3,984 | - | - | 3,984 |
| - | - | 305 | - | - | 305 |
| - | - | - | - | - | 6,283,897 |
| - | - | - | - | 35,000 | 35,000 |
| -0- | -0- | 8,113 | 541 | 35,000 | 6,327,551 |
| - | 239,170 | - | - | - | 239,170 |
| - | 2,748,567 | 107,384 | 10,943,515 | 10,923 | 13,810,389 |
| - | - | - | - | - | 497,198 |
| 190,266 | - | - | - | - | 219,216 |
| - | - | - | - | - | 27,338 |
| <u>190,266</u> | <u>2,987,737</u> | <u>107,384</u> | <u>10,943,515</u> | <u>10,923</u> | <u>14,793,311</u> |
| <u>\$ 190,266</u> | <u>\$ 2,987,737</u> | <u>\$ 115,497</u> | <u>\$ 10,944,056</u> | <u>\$ 45,923</u> | <u>\$ 21,120,862</u> |

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2003

Total fund balances - governmental funds **\$ 743,752**

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

| | | |
|-----------------------------|------------------|------------|
| Accrued interest receivable | \$ 69,931 | |
| Lease receivable | 5,105,000 | |
| Deferred revenue | <u>6,283,897</u> | |
| | | 11,458,828 |

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

| | | |
|---------------------------|------------------|--------------------|
| Accrued interest payable | 69,931 | |
| Direct county obligations | <u>5,105,000</u> | |
| | | <u>(5,174,931)</u> |

Net assets of governmental activities **\$ 7,027,649**

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

| | Special Revenue | Debt Service | |
|---|-----------------------|----------------------------------|--|
| | Water and Sewer | Coldwater/ Long Lake Sewer | Coldwater/ Long Lake Sewer Supplemental |
| REVENUES | | | |
| Intergovernmental - local | \$ - | \$ - | \$ - |
| Interest | 224 | 1,223 | 379 |
| Other | | | |
| Special assessments | 12,658 | 387,896 | 104,440 |
| TOTAL REVENUES | 12,882 | 389,119 | 104,819 |
| EXPENDITURES | | | |
| Other | 270 | 169 | 133 |
| Debt service | | | |
| Principal | - | 95,000 | 90,000 |
| Interest and fiscal charges | - | 261,766 | 7,575 |
| Capital outlay | | | |
| Construction | 6,107 | - | - |
| TOTAL EXPENDITURES | 6,377 | 356,935 | 97,708 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 6,505 | 32,184 | 7,111 |
| Fund balances, beginning of year | 49,783 | 355,115 | 102,788 |
| Fund balances, end of year | \$ 56,288 | \$ 387,299 | \$ 109,899 |

Capital
Projects

| <u>Lake Maintenance</u> | <u>Total</u> |
|-----------------------------|-------------------|
| \$ 15,000 | \$ 15,000 |
| 2,654 | 4,480 |
| - | 504,994 |
| 17,654 | 524,474 |
| 120 | 692 |
| - | 185,000 |
| - | 269,341 |
| <u>47,747</u> | <u>53,854</u> |
| <u>47,867</u> | <u>508,887</u> |
| (30,213) | 15,587 |
| <u>220,479</u> | <u>728,165</u> |
| <u>\$ 190,266</u> | <u>\$ 743,752</u> |

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

Net change in fund balances - total governmental funds \$ 15,587

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue (260,671)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement 185,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable 1,343

Change in net assets of governmental activities \$ (58,741)

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

| | | Enterprise | |
|-------------------------------|---------------------|------------------------------|----------------------|
| | | DPW | Ovid |
| | Sewer | Operation and Maintenance | Treatment Plant |
| OPERATING REVENUES | | | |
| Charges for services | \$ 118,595 | \$ 208,629 | \$ 205,659 |
| Other | 332 | - | 2,559 |
| TOTAL OPERATING REVENUES | 118,927 | 208,629 | 208,218 |
| OPERATING EXPENSES | | | |
| Personal services | - | 112,047 | - |
| Fringe benefits | - | 27,513 | - |
| Operating supplies | 932 | 6,410 | 3,759 |
| Contractual services | 77,633 | - | 135,258 |
| Depreciation | 83,256 | - | 245,506 |
| Other | 19,729 | 60,254 | 25,633 |
| TOTAL OPERATING EXPENSES | 181,550 | 206,224 | 410,156 |
| OPERATING INCOME (LOSS) | (62,623) | 2,405 | (201,938) |
| NONOPERATING REVENUES | | | |
| Interest revenue | 3,919 | 179 | 667 |
| NET INCOME (LOSS) | (58,704) | 2,584 | (201,271) |
| Net assets, beginning of year | 3,046,441 | 104,800 | 11,144,786 |
| Net assets, end of year | <u>\$ 2,987,737</u> | <u>\$ 107,384</u> | <u>\$ 10,943,515</u> |

| <u>Internal Service</u> | |
|-----------------------------|----------------------|
| <u>BPW Revolving</u> | <u>Total</u> |
| \$ - | \$ 532,883 |
| 2,400 | 5,291 |
| 2,400 | 538,174 |
| - | 112,047 |
| - | 27,513 |
| - | 11,101 |
| - | 212,891 |
| - | 328,762 |
| - | 105,616 |
| -0- | 797,930 |
| 2,400 | (259,756) |
| - | 4,765 |
| 2,400 | (254,991) |
| 8,523 | 14,304,550 |
| <u>\$ 10,923</u> | <u>\$ 14,049,559</u> |

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES -
BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

| | Sewer | Enterprise DPW Operation and Maintenance | Ovid Treatment Plant |
|---|-------------------------|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from users | \$ 118,927 | \$ 208,629 | \$ 208,218 |
| Cash paid to suppliers | (99,555) | (66,052) | (164,971) |
| Cash paid to employees | - | (111,911) | - |
| Cash paid for employee benefits | - | (27,513) | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 19,372 | 3,153 | 43,247 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest revenue | 3,919 | 179 | 667 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR | 23,291 | 3,332 | 43,914 |
| Cash and cash equivalents, beginning of year | 234,809 | 112,165 | 48,577 |
| Cash and cash equivalents, end of year | <u>\$ 258,100</u> | <u>\$ 115,497</u> | <u>\$ 92,491</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | | |
| Operating income (loss) | \$ (62,623) | \$ 2,405 | \$ (201,938) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation | 83,256 | - | 245,506 |
| Increase (decrease) in accounts payable | (1,261) | 612 | (321) |
| Increase in accrued liabilities | - | 136 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 19,372</u> | <u>\$ 3,153</u> | <u>\$ 43,247</u> |

| Internal Service | | |
|---------------------|-------------------|--|
| BPW Revolving | Total | |
| \$ 2,400 | \$ 538,174 | |
| - | (330,578) | |
| - | (111,911) | |
| - | (27,513) | |
| 2,400 | 68,172 | |
| - | 4,765 | |
| 2,400 | 72,937 | |
| 43,523 | 439,074 | |
| <u>\$ 45,923</u> | <u>\$ 512,011</u> | |
| \$ 2,400 | \$ (259,756) | |
| - | 328,762 | |
| - | (970) | |
| - | 136 | |
| <u>\$ 2,400</u> | <u>\$ 68,172</u> | |

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
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Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
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Public Accountants
and
Michigan Association of
Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Branch County
Coldwater, Michigan

We have audited the basic financial statements of Branch County as of and for the year ended December 31, 2003, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Branch County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Branch County in a separate letter dated August 24, 2004.

This report is intended solely for the information and use of the administration and Board of Commissioners of Brach County, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 24, 2004